

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

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Base Listing Document relating to Warrants

to be issued by

Calyon Financial Products (Guernsey) Limited
(incorporated with limited liability in Guernsey, Channel Islands)

unconditionally and irrevocably guaranteed by

Calyon

(incorporated with limited liability in France)

Manager and Sponsor



This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and is published for the purpose of giving information with regard to us, Calyon (“**Guarantor**”) and our derivative warrants (“**Warrants**”) to be listed on the Stock Exchange from time to time. This document may be updated and/or amended from time to time by way of addenda.

Our obligations under the Warrants are guaranteed by the Guarantor under a guarantee executed by the Guarantor dated 11 June 2007 (“**Guarantee**”). We and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement in this document misleading.

Investors are warned that the price of the Warrants may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Warrants and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before they invest in the Warrants.

The Warrants constitute our general unsecured contractual obligations and of no other person and will rank equally (save for those obligations preferred by law) with all our other general unsecured contractual obligations upon liquidation. The Guarantee constitutes the general unsecured contractual obligations of the Guarantor and of no other person and will rank equally (save for those obligations preferred by law) with all other general unsecured contractual obligations of the Guarantor upon liquidation. If you purchase the Warrants, you are relying upon our creditworthiness and the creditworthiness of the Guarantor and have no rights under the Warrants against (a) the company which has issued the underlying securities or (b) the index compiler of any underlying index.

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IMPORTANT INFORMATION

What documents should you read before investing in the Warrants?

A supplemental listing document will be issued on the issue date of each series of Warrants which will include detailed commercial terms of the relevant series.

You must read this document (including any addendum to this document) together with such supplemental listing document (including any addendum to such supplemental listing document to be issued from time to time) (together, the “**Listing Documents**”) before investing in any Warrant. You should carefully study the risk factors set out in the Listing Documents.

What are the credit ratings of the Guarantor?

Our obligations in relation to the Warrants will be unconditionally and irrevocably guaranteed by the Guarantor. The Guarantor’s long term debt ratings are:

<i>Rating agency</i>	<i>Rating as of the date of this document</i>
Moody’s	Aa1
Standard and Poor’s	AA-
Fitch Ratings	AA

Are we regulated by any bodies referred to in Rule 15A.13(2) or (3) of the Listing Rules?

We are not regulated by any of the bodies referred to in Rule 15A.13(2) or (3) of the Listing Rules. The Hong Kong Branch of the Guarantor is a licensed bank in Hong Kong regulated by the Hong Kong Monetary Authority. The Guarantor is also regulated by the French Commission Bancaire.

Are we subject to any litigation?

Save as disclosed in the paragraph headed “Material Litigation” under the section headed “Description of the Guarantor” in Appendix 3 of this document, we, the Guarantor and our subsidiaries are not aware of any litigation or claims of material importance pending or threatened against us or them.

Authorisation for the issue of the Warrants

The issue of the Warrants was authorised by our board of directors on 17 May 2007.

Has financial position of the Guarantor changed since last financial year-end?

There has been no material adverse change in the financial or trading position of the Guarantor since 31 December 2006, being the date of the most recently published audited consolidated financial statements of the Guarantor that would have a material adverse effect on the Guarantor’s ability to perform its obligations in the context of the Guarantee in respect of the Warrants.

Do you need to pay any transaction cost?

The Stock Exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.004 per cent. in respect of each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the Warrants. The levy for the investor compensation fund is currently suspended.

Do you need to pay any tax?

Profits Tax

No tax is payable in Hong Kong by withholding or otherwise in respect of dividends of any company or in respect of any capital gains arising on the sale of the underlying securities or Warrants, except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

Stamp Duty

Stamp duty is not chargeable upon the transfer or exercise of a cash settled Warrant.

However, upon the exercise of a physically settled Warrant, the subsequent transfer of the underlying shares will be chargeable to Hong Kong stamp duty since any person who effects a sale or purchase of the underlying shares, whether as principal or as agent and whether in Hong Kong or elsewhere, is required to execute a contract note evidencing such sale or purchase and to have that note stamped with Hong Kong stamp duty.

Under the Conditions, you are required to pay both buyer's and seller's stamp duty in respect of the transfer of the underlying shares following the exercise of physically settled Warrants.

Estate Duty

No estate duty will be payable in respect of the Warrants.

The comments above are of a general nature and are only a summary of the law and practice currently applicable under Hong Kong law. The comments relate to the position of persons who are the absolute beneficial owners of the Warrants and may not apply equally to all persons. You should consult your own tax advisers about your tax position on purchase, ownership, transfer or exercise of any Warrant.

Where can you inspect the relevant documents?

The following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Calyon, Hong Kong Branch at 26/F, 27/F, 29/F and 30/F, Two Pacific Place, 88 Queensway, Hong Kong:

- (a) our latest audited financial statements and any interim unaudited financial statements and the latest audited financial statements and any interim financial statements of the Guarantor;

- (b) consent letter from the Guarantor's auditors, Ernst & Young et Autres and PricewaterhouseCoopers Audit;
- (c) this document and any addendum to this document; and
- (d) the supplemental listing document as long as the relevant series of Warrants is listed on the Stock Exchange.

Request for photocopies of the above documents will be subject to a reasonable fee which reflects the costs of making such copies.

The Listing Documents are also available on the website of the Stock Exchange at www.hkex.com.hk/dwrc/search/listsearch.asp.

各上市文件亦可於聯交所網站 (www.hkex.com.hk/dwrc/search/listsearch_c.asp) 瀏覽。

How can you get further information about us and/or the Guarantor?

You may visit www.calyon.com to obtain further information about us and/or the Guarantor.

What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or invitation to the public to subscribe for or to acquire the Warrants.

The Listing Documents are not the sole basis for making an investment decision

The Listing Documents do not take into account your investment objectives, financial situation or particular needs. Nothing in the Listing Documents should be construed as a recommendation by us or our affiliates to invest in the Warrants or the underlying asset of the Warrants.

The Stock Exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness, the financial soundness of the Guarantor or the merits of investing in the Warrants, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

We do not imply that there has been no change in the information set out in this document since its date. No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Warrants, and, if given or made, such information or representations must not be relied upon as having been authorised by us.

Sales restrictions and grey market

No action has been or will be taken by us that would permit a public offering of the Warrants or possession or distribution of any offering material in relation to the Warrants in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Warrants, or distribution of any offering material relating to the Warrants may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on us or the Guarantor. If we contemplate a placing, placing fees may be payable in connection with any issue and we may at our discretion allow discounts to placees.

For a description of certain restrictions on offers, sales and deliveries of the Warrants and the distribution of any Listing Document, see the section headed "Sales Restrictions" of this document.

Following the launch of a series of Warrants, we may place all or part of that series with our related party. The Warrants may be sold to investors in the grey market in the period between the launch date and the listing date. We will report any dealings in the Warrants by any member of the Guarantor in the grey market to the Stock Exchange on the listing date through the website of the Stock Exchange at www.hkex.com.hk.

Have the Guarantor's auditors consented to the inclusion of their report in this document?

The Guarantor's auditors have given and have not withdrawn their written consent to the inclusion of their report dated 5 April 2007 in this document and/or the references to their names in the Listing Documents, in the form and context in which they are included. Their report was not prepared exclusively for incorporation into this document.

The Guarantor's auditors have no shareholding in us, the Guarantor or any of their subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of the Guarantor or any of their subsidiaries.

Authorised representatives

Cédric Dubois and Robert Schroeder of Calyon, Hong Kong Branch are our authorised representatives.

Calyon, Hong Kong Branch of 26/F, 27/F, 29/F and 30/F, Two Pacific Place, 88 Queensway, Hong Kong has been authorised to accept, on our behalf and on behalf of the Guarantor, service of process and any other notices required to be served on us or the Guarantor.

Governing law of the Warrants

All contractual documentation for the Warrants will be governed by, and construed in accordance with, the laws of Hong Kong.

Capitalised terms

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the terms and conditions set out in Appendix 1 applicable to the relevant Warrants ("**Conditions**").

OVERVIEW OF WARRANTS

What is a derivative warrant?

A derivative warrant linked to a security, an index, a basket of securities or other asset (each an “**Underlying Asset**”) is an instrument which gives the holder a right to “buy” or “sell” the Underlying Asset at, or derives its value by reference to, a pre-set price or level called the Exercise Price or Strike Level. It usually costs a fraction of the value of the Underlying Asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

American Style Warrants can be exercised on or before the Expiry Date. European Style Warrants can only be exercised on the Expiry Date.

Our Warrants will, upon exercise on the Expiry Date or the Exercise Date (as the case may be), entitle you to:

- (a) in the case of cash settled Warrants, a cash amount called the “**Cash Settlement Amount**” (if positive); or
- (b) in the case of physically settled Warrants, purchase (in the case of a call Warrant) or sell (in the case of a put Warrant) a pre-fixed quantity of the Underlying Asset called the “**Entitlement**” at the Exercise Price,

each according to the applicable Conditions.

For cash settled Warrants, if the Cash Settlement Amount is zero or a negative amount, you will not receive any payment upon expiry or exercise of your Warrants.

For physically settled Warrants, if the value of the Entitlement drops below your investment amount, you will suffer a loss, or a substantial loss, of your investment.

How do our Warrants work?

Ordinary Warrants

The potential payoff or value of your entitlement upon expiry or exercise of an ordinary Warrant is calculated by us by reference to the difference between:

- (a) for a Warrant linked to a security, the Exercise Price and the Closing Price;
- (b) for a Warrant linked to an index, the Strike Level and the Closing Level; and
- (c) for a Warrant linked to a basket of securities, the Exercise Price and the sum of the arithmetic mean of the closing prices of each security in the basket on each Valuation Date multiplied by its corresponding weighting called the “**Basket Component**”.

Call Warrants

A call Warrant is suitable for an investor holding a bullish view of the price or level of the Underlying Asset during the term of the Warrant.

Put Warrants

A put Warrant is suitable for an investor holding a bearish view of the price or level of the Underlying Asset during the term of the Warrant.

Exotic Warrants

Exotic Warrants have different terms and risk profiles to ordinary Warrants. The supplemental listing document applicable to a series of exotic Warrants will specify the type of such Warrants.

Straddle Warrants

A straddle Warrant is an exotic Warrant with different terms and risk profiles to an ordinary Warrant. You should carefully review the relevant supplemental listing document

together with the Conditions set out in Part M of Appendix 1 before deciding to invest in a “straddle” Warrant.

A straddle Warrant consists of the simultaneous purchase of a call Warrant and a put Warrant with the same Exercise Price and Expiry Date. The return of a straddle Warrant is calculated by reference to the difference between the Closing Price and the Exercise Price – whether the Closing Price is below or above the Exercise Price on the Valuation Date, you will receive a Cash Settlement Amount provided such difference exceeds the Exercise Expenses (if any).

Locked-in return Warrants

A locked-in return Warrant is an exotic Warrant with different terms and risk profiles to an ordinary Warrant. You should carefully review the relevant supplemental listing document together with the Conditions set out in Parts G and H of Appendix 1 before deciding to invest in a “locked-in return” Warrant.

Locked-in return Warrants will “lock-in” any positive return on the Warrants called the “**Periodic Cash Settlement Amount**” on each Periodic Fixing Date. On each Periodic Fixing Date during the term of a locked-in return Warrant, we will determine the Periodic Cash Settlement Amount applicable to that period. Your return at expiry under a locked-in return Warrant will be the aggregate sum of the Periodic Cash Settlement Amounts divided by the number of Periodic Fixing Dates.

The Periodic Cash Settlement Amount in respect of a Periodic Fixing Date is calculated by reference to the difference between the arithmetic mean of the closing prices of the Underlying Asset on each Valuation Date immediately prior to such Periodic Fixing Date and the Exercise Price. This calculation is similar to the calculation of the Cash Settlement Amount for an ordinary cash settled Warrant over single equities.

Average return Warrants

An average return Warrant is an exotic Warrant with different terms and risk profiles to an ordinary Warrant. You should carefully review the relevant supplemental listing document together with the Conditions set out in Parts E and F of Appendix 1 before deciding to invest in an “average return” Warrant.

On each Periodic Fixing Date during the term of an average return Warrant, the arithmetic mean of the closing prices of the Underlying Asset on each Valuation Date immediately prior to such Periodic Fixing Date (“**Periodic Reference Price**”) is recorded. A higher Periodic Reference Price on a Periodic Fixing Date may be offset by a lower Periodic Reference Price on another Periodic Fixing Date and vice versa. Your return under an average return Warrant is therefore dependent on the average of the Periodic Reference Prices on each Periodic Fixing Date.

Your return at expiry under an average return Warrant is calculated by reference to the difference between (i) the sum of the Periodic Reference Prices divided by the number of the Periodic Fixing Dates; and (ii) the Exercise Price.

Capped return Warrants

A call spread Warrant, a put spread Warrant, an index call spread Warrant and an index put spread Warrant (together, “**capped return Warrants**”) are exotic warrants with different terms and risk profiles to an ordinary warrant. You should carefully review the relevant supplemental listing document together with the relevant Conditions set out in Parts A, C, K and L of Appendix 1 before deciding to invest in “capped return” Warrants.

The description “capped return” means that the return on a capped return Warrant is subject to a certain upper limit. The calculation of the return of a capped return warrant is similar to that of an ordinary Warrant except that the Closing Price or the Closing Level is:

- (i) for a call capped return Warrant, capped at the Cap Price or the Cap Level; or
- (ii) for a put capped return Warrant, floored at the Floor Price or the Floor Level.

Other types of Warrants

The supplemental listing document applicable to other types of Warrants will specify the type of such Warrants and whether such Warrants are exotic Warrants.

Where can you find the Conditions applicable to our Warrants?

You should review the Conditions applicable to each type of the Warrants before your investment.

The Conditions applicable to each type of our Warrants are set out in Appendix 1.

What are the factors determining the price of a derivative warrant?

The price of a Warrant generally depends on the prevailing price or level of the Underlying Asset. However, throughout the term of a Warrant, its price will be influenced by a number of factors, including:

- (a) the Exercise Price, the Strike Level, the Cap Price/Cap Level or the Floor Price/Floor Level (as the case may be);
- (b) the volatility of the price or level of the Underlying Asset (being a measure of the fluctuation in the price or level of the Underlying Asset);
- (c) the time remaining to expiry: a warrant is generally more valuable the longer the remaining life of the warrants;
- (d) in the case of cash settled Warrants, the probable range of Cash Settlement Amounts (particularly, in the case of capped return Warrants, given that the Cash Settlement Amount is subject to an upper limit);
- (e) interest rates;

- (f) expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;
- (g) the supply and demand for the Warrant;
- (h) the depth of the market or liquidity of the Underlying Assets;
- (i) any related transaction costs; and
- (j) our creditworthiness and the creditworthiness of the Guarantor.

What is your maximum loss?

Your maximum loss in our Warrants will be limited to your investment amount plus any transaction costs.

How can you get information about the Warrants after issue?

You may visit the Stock Exchange website at <http://www.hkex.com.hk/prod/dwrc/dw.htm> to obtain further information on derivative warrants or any notice given by us or the Stock Exchange in relation to our Warrants.

FORM OF GUARANTEE

Our obligations under the Warrants are guaranteed by the Guarantor under the Guarantee executed by the Guarantor by way of deed poll and dated as of 11 June 2007. The text of the Guarantee is set out below.

“THIS DEED OF GUARANTEE is made 11 June 2007 by Calyon, a limited liability corporation incorporated in France as a “Société Anonyme” governed by a Board of Directors, with a share capital of EUR 3,435,953,121, registered at the “Registre du Commerce et des Sociétés de Nanterre” under the reference SIREN 304 187 701 and having its registered office at 9, quai du Président Paul Doumer, 92920 Paris La Défense Cedex, France (the “**Guarantor**”) in favour of the holders for the time being of the Warrants (as defined below) (each a “**Holder**”).

WHEREAS:

- (A) The Guarantor has agreed to guarantee all payment and delivery obligations of Calyon Financial Products (Guernsey) Limited (the “**Issuer**”) under any derivative warrants issued from time to time by the Issuer and listed on The Stock Exchange of Hong Kong Limited (the “**Warrants**”); and
- (B) Terms defined in the Conditions of the Warrants (the “**Conditions**”) and not otherwise defined in this Deed of Guarantee shall have the same meaning when used in this Deed of Guarantee.

NOW THIS DEED WITNESSES as follows:

- 1 Guarantee:** Subject as provided below, the Guarantor unconditionally and irrevocably guarantees by way of deed poll to each Holder that, if for any reason the Issuer does not pay any sum payable by it or perform any delivery obligation in respect of any Warrant on the date specified for such payment, the Guarantor will within 14 (fourteen) Paris Business Days (as defined below) after receipt of written demand made in accordance with clause 10 below, in accordance with the Conditions, pay that sum in the currency in which such payment is due in immediately available funds or, as the case may be, perform or procure the performance of the delivery obligation PROVIDED THAT in the case of Warrants where the obligations of the Issuer which fall to be satisfied by the Guarantor constitute the delivery of the Entitlement to the holders of such Warrants the Guarantor will as soon as practicable following the Issuer’s failure to satisfy its obligations under such Warrants deliver or procure delivery of such Entitlement using the method of delivery specified in the Conditions provided that, if, by reason of material illiquidity in the Shares or any other reason which renders it impossible or impracticable for the Guarantor to deliver or procure the delivery of the Shares to an exercising Holder as required under the Conditions, the Guarantor shall, within 5 (five) Business Days, in the case of Call Warrants (physically settled), of the relevant date on which the Warrants are actually or deemed exercised notify the exercising Holders of such fact, which notice shall also contain a reasonable description of such material illiquidity, impossibility or impracticability. The Guarantor shall then, in lieu of delivery or procuring the delivery of the Shares, pay to the exercising Holder as soon as reasonably practicable a sum in Hong Kong dollars calculated by the Guarantor as equal to, in respect of every Exercise Amount, in the case of Warrants that are Call Warrants (physically settled), the arithmetic mean of the closing price of one Share (subject to adjustment as provided in Condition 6) (as derived from the Daily Quotation Sheet of The Stock Exchange of Hong Kong Limited, subject to any adjustments as may be necessary to such closing prices to reflect any capitalisation, rights issue, distribution or the like) for the 5 (five) Business Days immediately

preceding such Exercise Date or Expiry Date, as the case may be, (or, if not all of such quotations are available, on the latest five Business Days preceding such Exercise Date or Expiry Date, as the case may be, on which such Warrants are actually or deemed exercised for which all of such quotations are available), multiplied by the number of Shares which the Guarantor would otherwise have been obliged to deliver or procure to be delivered to the exercising Warrantheader.

Any such payment in accordance with this Clause 1 shall constitute a complete discharge of the Guarantor's obligations in respect of such Warrants.

This Deed of Guarantee shall apply to all Warrants issued on or after the date of this Deed of Guarantee and all references herein to Warrants shall be construed accordingly. Warrants issued prior to the date of this Deed of Guarantee shall continue to have the benefit of the previous Deed of Guarantee or, if applicable, any deed of guarantee preceding the previous Deed of Guarantee.

- 2 Guarantor as Principal Obligor:** As between the Guarantor and the holder of each Warrant but without affecting the Issuer's obligations, the Guarantor will be liable under this Deed of Guarantee as if it were the sole principal obligor and not merely a surety. Accordingly, it will not be discharged, nor will its liability be affected, by anything which would not discharge it or affect its liability, in law or in equity, if it were the sole principal obligor (including (1) any time, indulgence, waiver or consent at any time given to the Issuer or any other person, (2) any amendment to any of the Conditions or to any security or other guarantee or indemnity, (3) the making or absence of any demand on the Issuer or any other person for payment or performance of any other obligation in respect of any Warrant, (4) the enforcement or absence of enforcement of any Warrant or of any security or other guarantee or indemnity, (5) the release of any such security, guarantee or indemnity, (6) the liquidation, dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person, (7) any consolidation, merger, conveyance or transfer by the Issuer or (8) the illegality, invalidity, irregularity or unenforceability of or any defect in any provision of the Conditions or any of the Issuer's obligations under any of them).
- 3 Guarantor's Obligations Continuing:** The Guarantor's obligations under this Deed of Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable and no delivery obligation remains to be performed under any Warrant (in each case subject to its exercise). Furthermore, those obligations of the Guarantor are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of a relevant Holder, whether from the Guarantor or otherwise.
- 4 Discharge by the Issuer:** If any payment received by, or delivery obligation discharged to or to the order of, the relevant Holder is, on the subsequent bankruptcy or insolvency of the Issuer, avoided under any laws relating to bankruptcy or insolvency, such payment or obligation will not be considered as having discharged or diminished the liability of the Guarantor and this Deed of Guarantee will continue to apply as if such payment or delivery obligation had at all times remained owing by the Issuer.
- 5 Indemnity:** As a separate and alternative stipulation, the Guarantor unconditionally and irrevocably agrees that any sum or delivery obligation which, although expressed to be payable or deliverable under the Warrants, is for any reason (whether or not now existing and whether or not now known or becoming known to the Issuer, the Guarantor or a relevant Holder) not recoverable from the Guarantor on the basis of a guarantee will nevertheless be recoverable from it as if it were the sole principal obligor and will be paid or performed by it

in favour of a relevant Holder on demand. This indemnity constitutes a separate and independent obligation from the other obligations in this Deed of Guarantee, gives rise to a separate and independent cause of action and will apply irrespective of any indulgence granted by any relevant Holder.

- 6 Status of Guarantee:** The obligation of the Guarantor under this Deed of Guarantee constitutes a direct, unconditional, unsecured and general obligation of the Guarantor and ranks and will rank equally with all its other existing and future unsecured obligations including those in respect of deposits but excluding any debts for the time being preferred by law and any subordinated obligations.
- 7 Incorporation of Terms:** The Guarantor agrees that it shall comply with and be bound by those provisions contained in the Conditions which relate to it.
- 8 Power to execute:** The Guarantor hereby warrants, represents and covenants with each Holder that it has all corporate power, and has taken all necessary corporate or other steps, to enable it to execute, deliver and perform this Deed of Guarantee, and that this Deed of Guarantee constitutes a legal, valid and binding obligation to the Guarantor in accordance with its terms.
- 9 Deposit of Guarantee:** This Deed of Guarantee shall be deposited with and held by Computershare Hong Kong Investor Services Limited as Registrar for the benefit of the Holders. If Computershare Hong Kong Investor Services Limited ceases to be the Registrar its successor shall hold this Deed of Guarantee.
- 10 Demand on the Guarantor:** Any demand hereunder shall be given in writing addressed to the Guarantor served at its head office at 9, quai du Président Paul Doumer, 92920 Paris La Défense Cedex, France, attention: Capital Markets Legal Department. A demand so made shall be deemed to have been duly made 5 (five) Paris Business Days (as used herein, **Paris Business Day** means a day (other than a Saturday or Sunday) on which banks are open for business in Paris) after the day it was served or if it was served on a day that was not a Paris Business Day or after 5.30 p.m. (Paris time) on any day, the demand shall be deemed to be duly made 5 (five) Paris Business Days after the Paris Business Day immediately following such day.
- 11 Subrogation:** Until all amounts or delivery obligations which may be due or payable under the Warrants have been irrevocably paid in full, the Guarantor shall not by virtue of this Deed of Guarantee be subrogated to any rights of any Holder or claim in competition with the Holders against the Issuer.
- 12 Governing Law:** This Deed of Guarantee shall be governed by and construed in accordance with the laws of Hong Kong.
- 13 Jurisdiction:** The courts of Hong Kong are to have jurisdiction to settle any disputes which may arise out of or in connection with this Deed of Guarantee and accordingly any legal action or proceedings arising out of or in connection with this Deed of Guarantee ("**Proceedings**") may be brought in such courts. The Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

14 Service of Process: The Guarantor agrees that service of process in Hong Kong may be made on it at its Hong Kong branch. Nothing in this Deed of Guarantee shall affect the right to serve process in any other manner permitted by law.

IN WITNESS whereof this Deed of Guarantee has been executed by the Guarantor as a deed poll and delivered on the day and year first above mentioned.”

SALES RESTRICTIONS

United States of America

The Warrants have not been, and will not be, registered under the Securities Act. Subject to certain exceptions, Warrants, or interests therein, may not at any time be offered, sold, resold, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of Warrants, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. The Manager has agreed that it will not offer, sell, resell, transfer or deliver any Warrants within the United States or to U.S. persons except as permitted by the placing agreement between us and the Manager. As used herein, “**United States**” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and “**U.S. person**” means any national or resident of the United States, including any corporation, partnership or other entity created or organised in or under the laws of the United States or of any political subdivision thereof, any estate or trust the income of which is subject to United States income taxation regardless of its source, and any other U.S. person as such term is defined in Regulation S under the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) the Warrants may not be offered to the public in that Relevant Member State, except that, with effect from and including the Relevant Implementation Date, the Warrants may be offered to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Warrants which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression relating to an “**offer of Warrants to the public**” in relation to any Warrants in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Warrants to be offered so as to enable an investor to decide to purchase or subscribe the Warrants, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

All applicable provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) with respect to any Warrants have been complied, and will be complied, with in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any Warrants has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not or, in the case of the Guarantor, would not, if it was not an authorised person, apply to us or the Guarantor.

Republic of France

Each of us, the Guarantor and the Manager has represented and agreed, and each further Manager appointed under an issue will be required to represent and agree that, (i) it has not offered or sold or caused to be offered or sold and will not offer or sell or cause to be offered or sold, directly or indirectly, any Warrants to the public in the Republic of France and (ii) offers and sales of Warrants in the Republic of France will only be made to qualified investors (*investisseurs qualifiés*) other than individuals, as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French Code monétaire et financier.

This document has not been admitted to the clearance procedures of the Autorité des marchés financiers.

In addition, each of us, the Guarantor and the Managers has represented and agreed that, it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, this document or any other offering material relating to Warrants other than to those investors (if any) to whom offers and sales of Warrants in the Republic of France may be made as described above in this section entitled “Republic of France”.

Channel Islands

Warrants may not be offered or sold to, or may not be held by persons who are residents in Guernsey, Alderney or Herm for the purposes of liability to income tax in Guernsey.

Hong Kong

No person, other than a person permitted to do so under the securities laws of Hong Kong, has issued or had in its possession for the purposes of issue, or will issue, or have in its possession for the purposes of issue, any advertisement, invitation or document relating to the Warrants, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than with respect to Warrants which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) and any rules made thereunder.

RISK FACTORS

Not all of the risk factors described below will be applicable to a particular series of the Warrants. Please consider all risks carefully prior to investing in any Warrants and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the Warrants. Please read the following section together with the risk factors set out in the relevant supplemental listing document.

General risks in relation to us and the Guarantor

Warrants are unsecured obligation

The Warrants constitute our general unsecured contractual obligations and the general unsecured contractual obligation of the Guarantor and of no other person and will rank equally (save for certain obligations required to be preferred by law) with all our other general unsecured contractual obligations and all other general unsecured contractual obligations of the Guarantor upon liquidation. In particular, you should note that we and the Guarantor issue a large number of financial instruments, including the Warrants, on a global basis. The number of such financial instruments outstanding at any time may be substantial.

We and the Guarantor have substantially no obligation to you other than to pay amounts and/or deliver securities in accordance with the terms thereof as set forth in this document and in the relevant supplemental listing document. Any profit or loss realised by you in respect of a Warrant upon exercise or otherwise due to changes in the value of such Warrant or the Underlying Assets, is solely for your account.

Creditworthiness

If you purchase the Warrants, you are relying upon our creditworthiness and the creditworthiness of the Guarantor and have no rights under the Warrants against:

- (a) any company which issues the underlying shares; or
- (b) any index compiler of any underlying index.

We and the Guarantor do not in any respect underwrite or guarantee the performance of any Warrant.

A reduction in the rating, if any, accorded to outstanding debt securities of the Guarantor by any one of its rating agencies could result in a reduction in the trading value of the Warrant.

No deposit liability or debt obligation

In the case of cash settled Warrants, we are obliged to deliver to you the Cash Settlement Amount under the relevant Conditions upon expiry or exercise, as the case may be. We do not intend (express, implicit or otherwise) to create a deposit liability or a debt obligation of any kind by the issue of any Warrant.

Conflicts of interest

Various potential and actual conflicts of interest may arise from the overall activities of us, the Guarantor and any of our or their respective subsidiaries and affiliates ("**Group**").

The Group is diversified financial institutions with relationships in countries around the world. The Group engages in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for our own account or the account of others. In addition, the Group, in connection with our other business activities, may possess or acquire material information about the Underlying Assets. Such activities and information may involve or otherwise affect issuers of Underlying Assets in a manner that may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of Warrants by us. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Group:

- (a) has no obligation to disclose such information about the Underlying Assets or activities. The Group and our officers and directors may engage in any such activities without regard to the issue of Warrants by us or the effect that such activities may directly or indirectly have on any Warrant;
- (b) may effect transactions for our own account or for the account of our customers and hold long or short positions in the Underlying Assets or related derivatives in the ordinary course of our business, including but without limitation in connection with us or our appointed liquidity provider's market making activities;
- (c) may enter into one or more hedging transactions with respect to the Underlying Assets or related derivatives in connection with the offering of any Warrant; and
- (d) may enter into transactions in the Underlying Assets or related derivatives which may affect the market price, liquidity or value of the Warrants and which may affect your interests in connection with such hedging or market-making activities or with respect to proprietary or other trading activities by us.

Pending litigation

You should note that a certain number of liability actions are pending against the Guarantor as disclosed in the paragraph headed "Material Litigation" under the section headed "Description of the Guarantor" in Appendix 3 of this document.

General risks in relation to Warrants

You may lose all your investment in the Warrants

The prices of the Warrants may fall in value as rapidly as they may rise and you may sustain a significant or total loss of your investment. In order to recover and realise a return upon an

investment in Warrants, you must generally be correct about the direction, timing and magnitude of an anticipated change in the level or value of any relevant Underlying Assets.

Before exercising or selling Warrants, you should carefully consider, among other things, the factors set out in "What are the factors determining the price of a derivative warrant?" in the section headed "Overview of Warrants" on page 8.

The value of the Warrants may be disproportionate or opposite to movement in price or level of the Underlying Assets

An investment in Warrants is not the same as owning the Underlying Assets or having a direct investment in the Underlying Assets. The market values of Warrants are linked to the relevant Underlying Asset(s) and will be influenced (positively or negatively) by it or them but any change may not be comparable and may be disproportionate. It is possible that while the price or level of the Underlying Assets is increasing, the value of the Warrant is falling.

If you intend to purchase the Warrants to hedge against the market risk associated with investing in, or otherwise having an exposure to, any Underlying Asset specified in the relevant supplemental listing document, you should recognise the risks of utilising the Warrants in this manner. There is no assurance that the value of the Warrants will correlate with movements of the relevant Underlying Asset. Furthermore, it may not be possible to purchase or liquidate the underlying shares at the prices used to calculate the level of the underlying indices. Therefore, it is possible that you could suffer substantial losses in the Warrants notwithstanding any losses suffered with respect to investments in or exposures to any Underlying Assets.

The Cash Settlement Amount (in the case of ordinary cash settled Warrants) or the difference in the value of the Entitlement and the Exercise Price (the "**Physical Settlement Value**") (in the case of physically settled Warrants) at any time prior to expiration is typically expected to be less than the trading price of such Warrants at that time.

Possible illiquidity of secondary market

It is not possible to predict if and to what extent a secondary market may develop in any Warrants and at what price such Warrants will trade in the secondary market and whether the secondary market for any series of Warrants will be liquid or illiquid. We intend to apply to list each series of Warrants on the Stock Exchange. If a series of Warrants is listed on the Stock Exchange, there can be no assurance that any such listing can be maintained. In the event such listing cannot be so maintained, we will use our best efforts to list such Warrants on another exchange. The fact that the Warrants are listed does not necessarily lead to greater liquidity than if they were not listed.

We or our appointed liquidity provider may be the only market participants for the Warrants, therefore, the secondary market for the Warrants may be limited and/or without limitation, frustrated. We and our appointed liquidity provider may, at any time purchase the Warrants at any price in the open market or by tender or private agreement, subject to the requirements under the Listing Rules relating to the provision of liquidity, as described in the section headed "Liquidity Provider" in the relevant supplemental listing document. The more limited the secondary market is for any particular series of the Warrants, the more difficult it may be for you to realise value for such Warrants prior to the expiration date of the Warrants.

A lessening of the liquidity of the affected series of Warrants may cause, in turn, an increase in the volatility associated with the price of such Warrants.

Interest rates

Investments in the Warrants may involve interest rate risk with respect to the currency of denomination of the Underlying Assets and/or the Warrants. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Warrants at any time prior to valuation of the Underlying Assets relating to the Warrants.

Time decay

The difference between the trading price and the Cash Settlement Amount or the Physical Settlement Value, as the case may be, will reflect, among other things, a "time value" for the Warrants. The "time value" of the Warrants will depend partly upon the length of the period remaining to expiration and expectations concerning the price or level of the Underlying Assets as specified in the relevant supplemental listing document. Warrants offer hedging and investment diversification opportunities but also pose some additional risks with regard to interim value. The interim value of the Warrants varies with the Underlying Assets, as well as by a number of other interrelated factors, including those specified in this document.

Exchange rate risk

There may be an exchange rate risk where the Cash Settlement Amount is converted from a foreign currency into Hong Kong dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation.

Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Warrants. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies.

Taxes

You should consider the tax consequences of investing in the Warrants and consult your tax advisers about your own tax situation. In particular, you may be required to pay stamp duties, taxes and other charges in accordance

with the laws and practices of the country of purchase in addition to the issue price of each Warrant. Furthermore, we will not be required to pay any additional amount to you to reimburse you for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Warrants by us as a result of the substitution of us pursuant to the Conditions. See “Do you need to pay any tax?” in the section headed “Important Information” on pages 3 and 4 for further information.

Modification to the Conditions

Under the Conditions, we may without your consent, modify the terms and conditions applicable to the Warrants if such modification is:

- (a) not materially prejudicial to your interest;
- (b) of a formal, minor or technical nature;
- (c) to correct an obvious error; or
- (d) for compliance with any mandatory provisions under Hong Kong law.

Risks in relation to the Underlying Asset

You have no right to the Underlying Asset

Unless specifically indicated in the Conditions, you will not be entitled to:

- (a) voting rights or rights to receive dividends or other distributions or any other rights that a holder of the Underlying Asset would normally be entitled to; or
- (b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

Valuation risk

An investment in the Warrants involves valuation risks in relation to the Underlying Asset. The price or level of the Underlying Asset may vary over time and may increase or

decrease by reference to various factors which may include corporate actions (where the Underlying Asset is a share or a basket of shares), changes in computation or composition (where the Underlying Asset is an index), macro economic factors and market trends.

You must be experienced with dealing in these types of Warrants and must understand the risks associated with dealing in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any Warrant in light of your particular financial circumstances, the information regarding the relevant Warrant and the particular Underlying Asset to which the value of the relevant Warrant relates.

Adjustment related risk

Certain (but not all) events relating to the Underlying Asset require or, as the case may be, permit us to make certain adjustments or amendments to the Conditions (including, but not limited to, adjusting the Exercise Price and the Entitlement). However, we are not required to make an adjustment for every corporate action (where the Underlying Asset is a share or a basket of shares), changes in computation or composition (where the Underlying Asset is an index), macro economic factor or market trend that affects the Underlying Asset. If an event occurs that does not require us to adjust the Entitlement or any other part of the Conditions, the market price of the Warrants and the return upon the exercise of the Warrants may be affected.

In the case of Warrants which relate to an index, a level for the index may be published by the index compiler at a time when one or more shares comprised in the index to which such Warrants relate are not trading. If this occurs on a Valuation Date which does not constitute a Market Disruption Event under the Conditions of the relevant Warrants then the closing level of the index is calculated by reference to the remaining shares in the index. In addition, certain events relating to the index (including a material change in the formula or the method of calculating the index or a failure to publish the

index) permits us to determine the level of the index on the basis of the formula or method last in effect prior to such change or formula.

Suspension of trading

If, whilst any of the Warrants remain unexercised, trading or dealing in the Underlying Assets is suspended on the market on which they are listed or dealt in (including the Stock Exchange), or if the relevant index for whatever reason is not calculated, trading in the Warrants will be suspended for a similar period.

Delay in settlement

Unless otherwise specified in the relevant Conditions, in the case of any expiry of Warrants, there may be a time lag between the date on which the Warrants expire, and the time the applicable settlement amount relating to such event is determined. Any such delay between the time of expiry and the determination of the settlement amount will be specified in the relevant Conditions.

However, such delay could be significantly longer, particularly in the case of a delay in the exercise or expiry of such Warrants arising from a determination by us that a Market Disruption Event, Settlement Disruption Event or delisting of a company has occurred at any relevant time or that adjustments are required in accordance with the Conditions.

That applicable settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount of the Warrants.

You should note that in the event of there being a Settlement Disruption Event, electronic settlement of the shares through CCASS or payment of the Cash Settlement Amount may be delayed, as more fully described in the Conditions.

You should also note that there will be a time lag following the time the Warrants are exercised (or automatically exercised) before the applicable Cash Settlement Amount (in the

case of cash settled Warrants) relating to such exercise is paid to you. Any such delay between the time of exercise and the payment of the Cash Settlement Amount will be specified in the relevant supplemental listing document or in the Conditions.

Risks relating to Warrants with exotic feature

Capped return Warrants

You should note that the return on capped return Warrants is capped at a certain upper limit. This is reflected in the calculation of the Cash Settlement Amount.

The trading price of the capped return Warrants may be less than the Cash Settlement Amount, depending on the spot price or level of the underlying share or index, typically (i) (in the case of call spread Warrants and index call spread Warrants) if the level or value of the underlying share or underlying index is trading close to or above the Cap Price or Cap Level, as the case may be, or (ii) (in the case of put spread Warrants and index put spread Warrants) if the level or value of the underlying share or underlying index is trading close to or below the Floor Price or Floor Level, as the case may be.

Straddle Warrants

Straddle Warrants have the combined features of ordinary call warrants and put warrants where the Cash Settlement Amount is calculated by reference to the difference between the Closing Price and the Exercise Price. You will be entitled to the Cash Settlement Amount on the Exercise Date or the Expiry Date if (i) the Closing Price is either above or below the Exercise Price and (ii) the difference between the Closing Price and the Exercise Price exceeds the Exercise Expenses (if any). If (i) the Closing Price is equal to the Exercise Price or (ii) the difference between the Closing Price and the Exercise Price does not exceed the Exercise Expenses (if any), the Cash Settlement Amount will be a negative figure (in which case it shall be deemed to be zero) or equal to zero and you will lose all your investment amounts.

You will benefit most from a very volatile and fluctuating market because the return on a straddle Warrant is calculated by the difference between the Closing Price and the Exercise Price – the greater the difference between the Closing Price and the Exercise Price, the higher the return on the straddle Warrants. On the other hand, if the trading price of the underlying shares remains flat throughout the term of the straddle Warrants, you are likely to lose all your investment amounts.

Locked-in return Warrants

In the case of the locked-in return Warrants, the Cash Settlement Amount at any time prior to expiration may be greater or less than the trading price of such Warrants at that time. There is no guaranteed return on the locked-in return Warrants where the Periodic Cash Settlement Amount in respect of each Periodic Fixing Date is zero.

Average return Warrants

In the case of the average return Warrants, the Cash Settlement Amount at any time prior to expiration may be greater or less than the trading price of such Warrants at that time. If on the Expiry Date, in the case of average return call Warrants, the average of the Periodic Reference Prices is less than the Exercise Price, and in the case of average return put Warrants, the average of the Periodic Reference Prices is more than the Exercise Price, you will not receive any payment from us and will sustain a total loss of your investment.

Risk relating to the legal form of the Warrants

In respect of the Warrants that are issued in global registered form you should note that HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a CCASS participant) will be the only legal owner of such Warrants as the Warrants will only be represented by a global certificate registered in the name of HKSCC Nominees Limited. The register for the

Warrants will only record at all times that 100 per cent. of the Warrants are held by HKSCC Nominees Limited. You should be aware of the following risks:

- (a) you are not entitled to any definitive certificates representing your beneficial interests in the Warrants;
- (b) you may only refer to the records of CCASS and/or your brokers and the statements you receive to determine your beneficial interest in the Warrants;
- (c) any notices, announcements and/or information relating to meetings in respect of the Warrants will only be delivered to you through CCASS participants in accordance with the CCASS Rules; and
- (d) our obligations to you will be duly performed by paying amounts and/or delivering securities in accordance with the Conditions to HKSCC Nominees Limited as the registered holder of Warrants. The amounts and/or securities will be delivered to you through CCASS in accordance with the CCASS Rules.

Effect of the combination of risk factors unpredictable

Two or more risk factors may simultaneously have an effect on the value of a series of Warrants such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a series of Warrants.

APPENDIX 1 – TERMS AND CONDITIONS OF WARRANTS

The following pages set out the Conditions in respect of different types of Warrants.

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PART A – TERMS AND CONDITIONS OF THE CALL WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 11 June 2007 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) dated 29 July 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights*. Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses*. On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.
- (c) *Definitions*. For the purposes of these Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

Where the Warrants are expressed to be Call Spread Warrants:

“**Cash Settlement Amount**” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to either:

- (A) where the Closing Price is equal to or less than the Cap Price, (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Closing Price less (ii) the Exercise Price (subject to adjustment as provided in Condition 6); less (2) the Exercise Expenses; or
- (B) where the Closing Price is greater than the Cap Price, (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Cap Price less (ii) the Exercise Price (subject to adjustment as provided in Condition 6); less (2) the Exercise Expenses;

Where the Warrants are not expressed to be Call Spread Warrants:

“**Cash Settlement Amount**” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Closing Price less (ii) the Exercise Price (subject to adjustment as provided in Condition 6); less (2) the Exercise Expenses;

“**CCASS**” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**Closing Price**” means,

- (A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), the arithmetic mean of the closing prices of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange) for each Valuation Date; or

(B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange) on the Valuation Date,

subject to any adjustments to such closing price(s) as may be necessary to reflect any capitalisation, rights issue, distribution or the like;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means,

(A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day on which there was no Market Disruption Event. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the Closing Price for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the Closing Price; or

(B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Exercise Date, provided that if the Issuer determines, in its sole discretion, that on such Exercise Date a Market Disruption Event has occurred, then the Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event, provided that if there is a Market Disruption Event on each of the five Business Days immediately following such Exercise Date that, but for the Market Disruption Event, would have been the Valuation Date, then:

- (i) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and
- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on that fifth Business Day but for the Market Disruption Event,

provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4(A) at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).

- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) **European Style Warrants**

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

4. **Exercise of Warrants**

(A) **American Style Warrants**

The following provisions of this Condition 4(A) shall apply to Warrants which are expressed to be American Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.

- (c) *Exercise Notice.* The Exercise Notice shall:
- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and
 - (iii) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.
- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(A)(b) and 4(A)(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.
- (e) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise in accordance with these Conditions whether pursuant to an Exercise Notice or automatic exercise; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (f) *Cash Settlement.* Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have directed, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following:

- (i) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Valuation Date; or
- (ii) with respect to the automatic exercise of American Style Warrants on the Expiry Date in accordance with Condition 3(A)(b), the Expiry Date,

(the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warranholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warranholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warranholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warranholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warranholder for any interest in respect of the amount due or any loss or damage that such Warranholder may suffer as a result of the existence of the Settlement Disruption Event.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warranholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warranholders.

6. Adjustments

- (a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

(d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheholder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warranholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warranholders shall be binding on all the Warranholders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warranholders.

Resolutions can be passed in writing without a meeting of the Warranholders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warranholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warranholders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warranholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warranholder or to which a Warranholder is entitled or which the Issuer shall have agreed to deliver to a Warranholder may be delivered by hand or sent by post addressed to the Warranholder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warranholder's address (or, in the case of joint Warranholders, to the address of the first-named Warranholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warranholder.
- (b) All notices to Warranholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warranholders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PART B – TERMS AND CONDITIONS OF THE CALL WARRANTS (PHYSICALLY SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 11 June 2007 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) dated 29 July 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights, Exercise Price and Exercise Expenses

- (a) *Warrant Rights.* Every Exercise Amount initially entitles each Warrantholder, upon due exercise, payment of the Exercise Price and compliance with Condition 4, to delivery of the Entitlement, subject to adjustment as provided in Condition 6.

- (b) *Exercise Price.* The price to be paid for the Entitlement upon the exercise of every Exercise Amount shall be the Exercise Price, subject to adjustment as described in Condition 6, plus any sums payable in accordance with Condition 2(c).
- (c) *Exercise Expenses.* Warrantheolders will be required to pay all charges which they incur in respect of the purchase and transfer of Shares upon the exercise of the Warrants, including without limitation any stamp duty, levies and registration charges.

In addition, Warrantheolders will be required to pay a sum equal to all the expenses payable by the seller and transferor of the relevant Shares, including without limitation any stamp duty, agent's expenses, scrip fees, levies, registration charges and other expenses payable on or in respect of or in connection with the purchase of or agreement to purchase the Shares to which the relevant Warrants and/or the exercise of the Warrants relate (the above charges and expenses incurred by Warrantheolders and the above seller's and transferor's expenses are together referred to as the "**Exercise Expenses**").

An amount equivalent to the Exercise Expenses must be paid by the Warrantheolder together with the Exercise Price in accordance with Condition 4. In certain circumstances, part of the Exercise Expenses may be required to be paid by Warrantheolders after the exercise of the Warrants but prior to the delivery of the forms of transfer relating to the Shares to the registrar of the Company or delivery of the Shares electronically through CCASS (as defined below), as the case may be.

- (d) *Definitions.* For the purposes of these Conditions:

"Business Day" means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

"CCASS" means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited ("**HKSCC**");

"CCASS Participant" means a person admitted for the time being by HKSCC as a participant of CCASS;

"CCASS Rules" means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

"Expiry Date" means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately succeeding Business Day;

"Nominee" means HKSCC Nominees Limited, or such other person, firm or company for the time being appointed by HKSCC as a nominee;

"Settlement Disruption Event" means an event beyond the control of the Issuer as a result of which the Issuer is unable to deliver the Shares electronically through CCASS; and

"Stock Exchange" means The Stock Exchange of Hong Kong Limited.

3. Exercise of American Style Warrants and European Style Warrants and Expiry

(A) *American Style Warrants*

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4 at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period shall expire immediately without value thereafter and all rights of the Warrantheader and obligations of the Issuer with respect to such Warrant shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable by delivery of an Exercise Notice in accordance with Condition 4 only on the Expiry Date or on the Business Day prior to the Expiry Date provided that any delivery made before the Expiry Date shall be deemed to be made on the Expiry Date.
- (b) *Expiry.* Any Warrant with respect to which an Exercise Date has not occurred on the Expiry Date shall expire immediately without value thereafter and all rights of the Warrantheader and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantheader shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time before 10:00 a.m. (Hong Kong time) on the Expiry Date. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.

- (c) *Exercise Notice.* The Exercise Notice shall:
- (i) specify the name(s) of the Warranholder(s) and the number of Warrants being exercised; and
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warranholder(s) and by payments by way of banker's draft or other payment, in each case in immediately available funds, in favour of the Issuer for the aggregate of the Exercise Price for the total number of Shares to be purchased and in favour of the Registrar for such of the aggregate of the Exercise Expenses as may be determined by the Registrar at that time or, if later, as soon as the same shall have been determined by the Registrar.

Any Exercise Expenses which have not been determined by the Registrar on the Exercise Date shall be notified to the Warranholder as soon as practicable after determination thereof by the Registrar and shall be paid by the Warranholder forthwith.

- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(b) and 4(c) shall constitute an irrevocable election and undertaking by the Warranholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authority to the Issuer and the Warrant Agent to take all necessary action to deliver the Shares electronically through CCASS. In no event will any payment be accepted after 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (e) *Delivery of Shares and payments relating to Excess Shares.* Subject to a valid exercise of Warrants in accordance with these Conditions:
- (i) the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise pursuant to an Exercise Notice or if the Warrants have expired worthless and thereby cancel the relevant Warrants; and
 - (ii) subject as provided below in the case of a Settlement Disruption Event, the Issuer will procure that:
 - (a) the delivery of the total number of Shares to be sold and transferred by the Issuer pursuant to the exercise of the Warrants by way of electronic settlement through CCASS to the relevant Warranholder in accordance with the CCASS Rules no later than five Business Days following the Exercise Date (the "**Settlement Date**"); and
 - (b) any payment to which the Warranholder is entitled pursuant to Condition 6(g), if applicable, shall be despatched no later than the Settlement Date (at the risk and expense of the Warranholder) to the Warranholder (or, in the case of joint Warranholders, the address of the first-named Warranholder) appearing on the register kept by the Registrar.

Notwithstanding the foregoing, such actions shall not take place until the Warranholder shall have accounted to the Registrar for unpaid Exercise Expenses to the extent that they were not or could not be paid on the Exercise Date.

If a Settlement Disruption Event exists on any Business Day from and including the Exercise Date to and including the Settlement Date, then the Settlement Date shall be postponed until the first succeeding Business Day on which there is no Settlement Disruption Event unless a Settlement Disruption Event prevents settlement on each of the ten Business Days immediately following the original Settlement Date.

In that case,

- (a) if the Shares can be delivered in any other commercially reasonable manner on the tenth Business Day immediately following the original Settlement Date, then they shall so be delivered; and
- (b) If the Shares cannot be delivered in any other commercially reasonable manner, the Settlement Date shall be postponed until settlement can reasonably be effected under this Condition or in any other commercially reasonable manner.

If, as a result of a Settlement Disruption Event it is not possible for the Issuer to deliver the Shares electronically through CCASS on or before the original Settlement Date, the Issuer shall procure that the exercising Warrantholder is notified (in accordance with Condition 10) of the postponement of the Settlement Date.

If the Issuer fails to satisfy its obligations to deliver or procure the delivery of the Shares, the Guarantor shall as soon as practicable deliver or procure the delivery of such Shares using the method of delivery specified in these Conditions, provided that, if, by reason of material illiquidity in the Shares or any other reason which renders it impossible or impracticable for the Guarantor to deliver or procure the delivery of the Shares to an exercising Warrantholder as required under these Conditions, the Guarantor shall, within five Business Days, in the case of Call Warrants (Physically Settled), of the relevant date on which the Warrants are actually or deemed exercised notify the exercising Warrantholder of such fact, which notice shall also contain a reasonable description of such material illiquidity, impossibility or impracticability. The Guarantor shall then, in lieu of delivery or procuring the delivery of the Shares, pay to the exercising Warrantholder as soon as reasonably practicable a sum in Hong Kong dollars calculated by the Guarantor as equal to, in respect of every Exercise Amount, the arithmetic mean of the aggregate closing prices of one Share (subject to adjustment as provided in Condition 6)(as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments as may be necessary to such closing prices to reflect any capitalisation, rights issue, distribution or the like) for the five Business Days immediately preceding such Exercise Date or Expiry Date, as the case may be, (or, if not all of such quotations are available, on the latest five Business Days preceding Exercise Date or Expiry Date, as the case may be, for which all of such quotations are available), multiplied by the number of Shares which the Guarantor would otherwise have been obliged to deliver or procure to be delivered to the exercising Warrantholder. Such payment shall constitute a complete discharge of the Guarantor's obligations in respect of such Warrants.

- (f) *Intervening Period.* As from the Exercise Date, an exercising Warrantholder (or such person as he may have directed) shall become beneficially entitled to all those rights attaching to the Shares to be delivered in respect of such exercise to which he would have become entitled if he had been registered as the holder of such Shares on the Exercise Date.

Notwithstanding the foregoing, as from the Exercise Date and until such time as the exercising Warrantholder is delivered the Shares electronically through CCASS (the “**Intervening Period**”), neither the Issuer nor its agent or nominee shall:

- (i) be under any obligation to deliver to such exercising Warrantholder or any subsequent beneficial owner of the Shares any letter, certificate, notice, circular, dividend or any other document or payment whatsoever received by the Issuer or its agent or nominee in its capacity as the registered holder of such Shares; or
 - (ii) exercise any or all rights (including voting rights) attaching to the Shares during the Intervening Period without the prior written consent of the relevant exercising Warrantholder, provided that neither the Issuer nor its agent nor nominee shall be under any obligation to exercise any such rights during the Intervening Period; or
 - (iii) be under any liability to such exercising Warrantholder or any subsequent beneficial owner of the Shares in respect of any loss or damage which such exercising Warrantholder or subsequent beneficial owner may sustain or suffer as a result, whether directly or indirectly, of the Issuer or its agent or nominee being registered during such Intervening Period as legal owner of the Shares.
- (g) Notwithstanding Condition 4(f) above, the Issuer shall notify each relevant exercising Warrantholder (or where there are joint Warrantholders, the first-named Warrantholder) appearing in the register kept by the Registrar by post (by air mail in the case of an address outside Hong Kong) of the receipt by the Issuer or its agent or nominee during the Intervening Period of any dividend, rights, bonus issue, shares issued pursuant to a share split or consolidation in respect of Shares beneficially owned by such exercising Warrantholder or a subsequent beneficial owner of such Shares which the exercising Warrantholder is entitled to under these Conditions.

The Issuer shall also make available as soon as reasonably practicable such dividend payment or Shares, as the case may be, for collection by the Warrantholder or such subsequent beneficial owner of such Shares from an office in Hong Kong which shall be specified in such notification upon production of such evidence of entitlement and identification as may reasonably be required by the Issuer.

The Issuer shall also notify each relevant exercising Warrantholder (or where there are joint Warrantholders, the first-named Warrantholder) appearing on the register kept by the Registrar by post (by airmail in the case of an address outside Hong Kong) of any right, entitlement or offer which the exercising Warrantholder is entitled to exercise or accept under these Conditions as beneficial owner of the relevant Shares during the Intervening Period and shall make available any document relating to such right, entitlement or offer for collection by the Warrantholder, or the person to whom the Warrantholder directed the Shares to be delivered, from an office in Hong Kong which shall be specified in such notification upon production of such evidence of entitlement and identification as may reasonably be required and, following receipt by the Issuer of written notification as may reasonably be required and, where appropriate, any relevant payment or consideration necessary in connection with exercising or accepting any such right, entitlement or offer from the relevant exercising Warrantholder or the person to whom the Warrantholder directed the Shares to be delivered, the Issuer shall on behalf of the relevant exercising Warrantholder, or the person to whom the Warrantholder directed the Shares to be delivered, exercise or accept such right, entitlement or offer.

Notwithstanding anything in this Condition, in the case of the receipt by the Issuer during the Intervening Period of an entitlement (in respect of the Shares deliverable to or at the direction of the exercising Warrantholder) which takes the form of securities issued by the Company by way of rights (to which entitlement the exercising Warrantholder is entitled under these Conditions), the Issuer shall, as soon as reasonably practicable and:

- (i) in any event by no later than one Business Day following receipt by it of the relevant entitlement from the Company, where necessary post to the Company or its share registrar an application for the entitlement to be split as appropriate as between Shares deliverable to different Warranholders (or subsequent Warranholders); and
 - (ii) in any event no later than one Business Day following receipt by it of the relevant entitlement duly split as referred to in (i) above, post (by air mail in the case of an address outside Hong Kong) all documentation (duly renounced where appropriate) received by it relating to such entitlement to the exercising Warrantholder, or the person to whom the Warrantholder directed the Shares to be delivered, or (if the exercising Warrantholder shall have so directed in the relevant Exercise Notice) make available such documentation for collection by the Warrantholder, or the person to whom the Warrantholder directed the Shares to be delivered, from the Transfer Office upon production of such evidence of entitlement and identification as may reasonably be required.
- (h) *Relationship of agency or trust.* These Conditions shall not be construed so as to give rise to any relationship of agency or trust between the Issuer or its agent or nominee and any exercising Warrantholder in its capacity as beneficial owner of Shares, or any subsequent beneficial owner of Shares, during an Intervening Period and neither the Issuer nor its agent or nominee shall owe any duty of a fiduciary nature to either such Warrantholder or such beneficial owner in respect of such Shares.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warranholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warranholders.

6. Adjustments

- (a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any

payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event.

Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheolder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.
- (g) *Excess Shares.* If as a result of an adjustment to the Entitlement pursuant to Conditions 6(a), (b), (c) and (e) above (but not otherwise), an exercise of a number of Warrants specified in an Exercise Notice would (if not for the provisions of this Condition 6(g)) result in the relevant Warrantheolder becoming entitled to delivery of a number of Shares which is not equal to a board lot of the Shares at such time or an integral multiple thereof, then:
 - (i) the Issuer shall not deliver to the relevant Warrantheolder and the Warrantheolder shall cease to be entitled to receive in respect of the relevant exercise of Warrants, that number of Shares (the "**Excess Shares**") which exceeds the amount of such board lot or integral multiple thereof; and
 - (ii) the relevant Warrantheolder shall be entitled to receive a cash amount from the Issuer (to be paid no later than the Settlement Date in accordance with Condition 4(e)) equal to the closing price of one Share (as derived from the Daily Quotation Sheet of the Stock Exchange or, if no such quotation is available, the most recently available closing price) on the Business Day immediately preceding the relevant Exercise Date multiplied by the number of the Excess Shares.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warranholders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warranholders; Modification

- (a) *Meetings of Warranholders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warranholders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warranholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warranholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warranholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warranholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warranholders shall be binding on all the Warranholders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warranholders.

Resolutions can be passed in writing without a meeting of the Warranholders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warranholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warranholders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warranholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantholder or to which a Warrantholder is entitled or which the Issuer shall have agreed to deliver to a Warrantholder may be delivered by hand or sent by post addressed to the Warrantholder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warrantholder's address (or, in the case of joint Warrantholders, to the address of the first-named Warrantholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantholder.
- (b) All notices to Warrantholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantholders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the

entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PART C – TERMS AND CONDITIONS OF THE PUT WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 11 June 2007 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) dated 29 July 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses.* On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.
- (c) *Definitions.* For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

Where the Warrants are expressed to be Put Spread Warrants:

“Cash Settlement Amount” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to either:

- (A) where the Closing Price is equal to or greater than the Floor Price, (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) Exercise Price (subject to adjustment as provided in Condition 6) less (ii) the Closing Price; less (2) the Exercise Expenses; or
- (B) where the Closing Price is less than the Floor Price, (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) Exercise Price less (ii) the Floor Price; less (2) the Exercise Expenses;

Where the Warrants are not expressed to be Put Spread Warrants:

“Cash Settlement Amount” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) Exercise Price (subject to adjustment as provided in Condition 6) less (ii) the Closing Price; less (2) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Closing Price” means,

- (A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange) for each Valuation Date; or

(B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange) on the Valuation Date,

subject to any adjustments to such closing price(s) as may be necessary to reflect any capitalisation, rights issue, distribution or the like;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means,

(A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day on which there was no Market Disruption Event. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the Closing Price for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the Closing Price; or

(B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Exercise Date, provided that if the Issuer determines, in its sole discretion, that on such Exercise Date a Market Disruption Event has occurred, then the Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event, provided that if there is a Market Disruption Event on each of the five Business Days immediately following such Exercise Date that, but for the Market Disruption Event, would have been the Valuation Date, then:

- (i) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and
- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on that fifth Business Day but for the Market Disruption Event,

provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4(A) at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).

- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) **European Style Warrants**

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

4. **Exercise of Warrants**

(A) **American Style Warrants**

The following provisions of this Condition 4(A) shall apply to Warrants which are expressed to be American Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.

- (c) *Exercise Notice.* The Exercise Notice shall:
- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and
 - (iii) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.
- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(A)(b) and 4(A)(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.
- (e) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise in accordance with these Conditions whether pursuant to an Exercise Notice or automatic exercise; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (f) *Cash Settlement.* Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have directed, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following:

- (i) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Valuation Date; or
- (ii) with respect to the automatic exercise of American Style Warrants on the Expiry Date in accordance with Condition 3(A)(b), the Expiry Date,

(the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warranholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warranholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warranholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warranholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warranholder for any interest in respect of the amount due or any loss or damage that such Warranholder may suffer as a result of the existence of the Settlement Disruption Event.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warranholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warranholders.

6. Adjustments

- (a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheolder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warranholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warranholders shall be binding on all the Warranholders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warranholders.

Resolutions can be passed in writing without a meeting of the Warranholders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warranholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warranholders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warranholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warranholder or to which a Warranholder is entitled or which the Issuer shall have agreed to deliver to a Warranholder may be delivered by hand or sent by post addressed to the Warranholder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warranholder's address (or, in the case of joint Warranholders, to the address of the first-named Warranholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warranholder.
- (b) All notices to Warranholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warranholders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PART D – TERMS AND CONDITIONS OF THE PUT WARRANTS (PHYSICALLY SETTLED)

The Conditions of the Put Warrants have been reviewed by HKSCC who have indicated that they will only approve the Conditions of the Put Warrants on a case by case basis. Accordingly, the relevant Supplemental Listing Document in relation to the issue of any series of Put Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Put Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a base instrument by way of deed poll (the “**Base Instrument**”) dated 29 July 2004 made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”) and Calyon (the “**Guarantor**”), a supplemental instrument by way of deed poll (together with the Base Instrument, the “**Instrument**”) dated the Issue Date, made by the Issuer and the Guarantor, a deed poll guarantee (the “**Guarantee**”) dated 11 June 2007 made by the Guarantor and a base registrar’s and warrant agency agreement (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) dated 29 July 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors). Copies of the Instrument, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Instrument and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* in all respects with each other.
- (c) *CCASS.*
- (i) The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“**CCASS**”).
- (ii) Warrant certificates in definitive form will be issued for those Warrants to be deposited in CCASS (the “**CCASS Warrant Certificates**”) registered in the name of HKSCC Nominees Limited, or such other person, firm or company for the time being appointed by HKSCC as a nominee (the “**Nominee**”), and deposited directly into CCASS for credit to the Stock Account (as defined in Condition 4(k)) of the initial Warrantholders maintained in CCASS.

- (iii) Warrant certificates in definitive form registered in the name of the Warrantholder (or his nominee) will be issued when a Warrantholder elects not to hold his Warrants in CCASS, either by choosing not to do so on issue of the Warrants or thereafter by withdrawing them from CCASS in the manner prescribed from time to time by the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”).
- (iv) Any Warrantholder choosing to deposit with CCASS Warrants represented by a definitive warrant certificate registered in his or his nominee’s name and to have instead those Warrants represented by the CCASS Warrant Certificates and credited to his or his designated CCASS participants’ Stock Account shall deposit those Warrants in CCASS in the manner prescribed from time to time by the CCASS Rules.

The Warrants may not be exercised unless held within CCASS and deposited with, and credited to, a Stock Account of a Warrantholder in CCASS.

- (v) Those Warrants deposited with, and credited to a Stock Account of a Warrantholder in CCASS shall be transferred through CCASS in accordance with the CCASS Rules. Those Warrants held in the form of definitive warrant certificates outside CCASS shall be transferred by the delivery of the relevant warrant certificate(s) to the Registrar, together with the delivery of a standard transfer form to the Registrar in such form as may from time to time be in use. The standard transfer form is obtainable from the Registrar.
- (d) *Transfer.* Transfer of Warrants may be effected only in a Board Lot or integral multiples thereof.
- (e) *Title.* Each person who is for the time being shown in the records of CCASS as entitled to a particular number of Warrants by way of an interest (to the extent of such number) in the CCASS Warrant Certificates in respect of those Warrants represented thereby shall be treated by the Issuer, the Guarantor, the Warrant Agent and the Registrar as the holder of such number of Warrants. Each person (other than the Nominee in respect of Warrants deposited in CCASS and represented by the CCASS Warrant Certificates) who is for the time being shown in the records of the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Warrant Agent and the Registrar as the holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.
- (f) *Additional Costs and Expenses.* Persons should note that they may incur additional costs and expenses in connection with any expedited registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing ten Business Days (as defined below) prior to and including the Expiry Date (as defined below).

2. Warrant Rights, Exercise Price and Exercise Expenses

- (a) *Warrant Rights.* Every Exercise Amount initially entitles each Warrantholder, upon due exercise and compliance with Condition 4, to sell to the Issuer the Entitlement, subject to adjustment as provided in Condition 6.
- (b) *Exercise Price.* The price to be paid by the Issuer upon the exercise of every Exercise Amount shall be the Exercise Price, subject to adjustment as described in Condition 6, less any sums payable in accordance with Condition 2(c).

- (c) *Exercise Expenses.* Warranholders will be required to pay all charges which they incur in respect of the sale and transfer of Shares upon the exercise of the Warrants, including without limitation stamp duty, levies, registration charges and other expenses payable in respect of documents of title to Shares, including but not limited to scrip fees payable on the share certificates representing Shares.

In addition, Warranholders will be required to pay a sum equal to all the expenses payable by the buyer and transferee of the relevant Shares, including without limitation any stamp duty, agent's expenses, scrip fees, levies, registration charges and other expenses payable on or in respect of or in connection with the sale of or agreement to sell the Shares to which the relevant Warrants and/or the exercise of the Warrants relate (the above charges and expenses incurred by Warranholders and the above buyer's and transferee's expenses are together referred to as the "**Exercise Expenses**").

An amount equivalent to the Exercise Expenses shall be deducted from the Exercise Price paid by the Issuer to the Warranholder. In certain circumstances, part of the Exercise Expenses may be required to be paid by Warranholders after the exercise of the Warrants but prior to the delivery of the forms of transfer relating to the Shares to the registrar of the Company.

3. Exercise of American Style Warrants and European Style Warrants, Suspension Period and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4 at any time during the period (the "**Exercise Period**") beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date (as defined below).
- (b) *Suspension Period.* If the Issuer determines (in its absolute discretion) that as a result of the suspension or cessation of all or part of the clearing, settlement and depository operations of CCASS, the ability of the Warranholder or the Issuer to perform their respective delivery and payment obligations pursuant to the exercise of the Warrants has been or could be expected to be materially adversely affected (in each case, a "**Suspension Period**"), the Warranholder shall effect the delivery or record the transfer of, and the Issuer shall make payment for, the Shares on the first Business Day after the end of the Suspension Period in accordance with Condition 4(i) (and so that, in calculating the number of days between the relevant Exercise Date (as defined in Condition 4(d)) and the date on which Shares are transferred, the Suspension Period shall be excluded) and notice thereof shall be given to the Warranholders in accordance with Condition 10.
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable by delivery of an Exercise Notice in accordance with Condition 4 only on the Expiry Date or on the Business Day prior to the Expiry Date provided that any delivery made before the Expiry Date shall be deemed to be made on the Expiry Date.
- (b) *Suspension Period.* If the Issuer determines (in its absolute discretion) that as a result of the suspension or cessation of all or part of the clearing, settlement and depository operations of CCASS, the ability of the Warrantheader or the Issuer to perform their respective delivery and payment obligations pursuant to the exercise of the Warrants has been or could be expected to be materially adversely affected (in each case, a “**Suspension Period**”), the Warrantheader shall effect the delivery or record the transfer of, and the Issuer shall make payment for, the Shares on the first Business Day after the end of the Suspension Period in accordance with Condition 4(i) (and so that, in calculating the number of days between the relevant Exercise Date and the date on which Shares are transferred, the Suspension Period shall be excluded) and notice thereof shall be given to the Warrantheaders in accordance with Condition 10.
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date has not occurred on the Expiry Date shall expire immediately without value thereafter and all rights of the Warrantheader and obligations of the Issuer with respect to such Warrant shall cease.

4. **Exercise of Warrants**

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) Warrants may only be exercised if:
 - (i) the Warrants are duly deposited with, and credited to the Stock Account of the Warrantheader in, CCASS, no later than the Business Day immediately preceding the Exercise Date; and
 - (ii) the Shares to be sold and transferred to the Issuer upon exercise of the Warrants are duly deposited with, and credited to the Stock Account of the Warrantheader in, CCASS, no later than the Exercise Date.
- (c) In order to exercise the Warrants:
 - (i) the Warrantheader shall deliver to the Warrant Agent a duly completed exercise notice (an “**Exercise Notice**”) using a form obtainable from the Registrar, such delivery to be made not later than 10:00 a.m. (Hong Kong time) on the Expiry Date;
 - (ii) the Warrantheader shall input to CCASS an instruction, in such form as HKSCC may from time to time prescribe as being valid pursuant to the CCASS Rules (currently known as a “**Settlement Instruction**”), to effect the debit from the Stock Account of the Warrantheader and credit to the Stock Account of the Issuer or its agent, on a free of payment basis (currently known as a “**FOP**” basis) in

accordance with the CCASS Rules, the total number of Warrants the subject of the Exercise Notice in the second batch settlement run effected by CCASS on the Exercise Date, such input to be effected as soon as reasonably practicable and, in any event, no later than the time stated in the CCASS Rules (which time is currently 11:30 a.m. (Hong Kong time)) for the matching of such instructions pursuant to the Settlement Instruction matching run conducted preceding the second batch settlement run effected by CCASS on the Exercise Date; and

- (iii) the Warrantholder shall input to CCASS a Settlement Instruction, to effect the debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent of the total number of the Shares to be sold and transferred by the Warrantholder to the Issuer in the second batch settlement run effected by CCASS on the Exercise Date, on a FOP basis in accordance with the CCASS Rules, such input to be effected as soon as reasonably practicable and, in any event, no later than the time stated in the CCASS Rules (which time is currently 11:30 a.m. (Hong Kong time)) for the matching of such instructions pursuant to the Settlement Instruction matching run conducted preceding the second batch settlement run effected by CCASS on the Exercise Date.
- (d)
 - (i) The date upon which Warrants are, or are to be treated as, exercised (an “**Exercise Date**”) shall be deemed to occur on the Business Day on which an Exercise Notice is received by the Warrant Agent and in respect of which there is a valid exercise of Warrants in accordance with the requirements set out herein, provided that any Exercise Notice received by the Warrant Agent after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered prior to 10:00 a.m. (Hong Kong time) on the next following Business Day.
 - (ii) Subject to Condition 4(e), the Issuer shall, as from the Business Day next following the Exercise Date, become beneficially entitled to all rights attaching to the relevant Shares to which he would have become entitled had he been the registered shareholder of the Shares on the Business Day next following the Exercise Date.
- (e) The Exercise Notice shall:
 - (i) confirm that the Warrants have been duly deposited with, and credited to the Stock Account of the Warrantholder in, CCASS, no later than the Business Day immediately preceding the Exercise Date, and that the Shares to be sold and transferred to the Issuer upon exercise of the Warrants have been duly deposited with, and credited to the Stock Account of the Warrantholder in, CCASS, no later than the Exercise Date;
 - (ii) specify the name of the Warrantholder, the number of Warrants being exercised, and the Stock Account of the Warrantholder from which the Warrants being exercised are to be debited;
 - (iii) be accompanied by a Settlement Instruction to debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent the total number of Warrants the subject of the Exercise Notice in the second batch settlement run effected by CCASS on the Exercise Date;

- (iv) specify the number of Shares being sold and transferred by the Warrantholder to the Issuer, and the Stock Account of the Warrantholder from which the Shares are to be debited pursuant to the exercise of the Warrants the subject of the Exercise Notice;
 - (v) be accompanied by a Settlement Instruction to debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent the total number of Shares to be sold and transferred by the Warrantholder to the Issuer pursuant to the exercise of the Warrants the subject of the Exercise Notice in the second batch settlement run effected by CCASS on the Exercise Date; and
 - (vi) specify the bank account name(s) and number(s) into which payment of an amount equal to the aggregate of the Exercise Price less the Exercise Expenses of the Warrants the subject of the Exercise Notice is to be made by or on behalf of the Issuer on the Business Day next following the Exercise Date.
- (f) (i) Subject to fulfilment of the Warrantholder's obligations under Condition 4(c) above, the Issuer shall procure that the Warrant Agent itself or through its sub agent shall input to CCASS a Settlement Instruction, to effect the debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent, on a FOP basis in accordance with the CCASS Rules, the total number of Warrants the subject of the Exercise Notice in the second batch settlement run effected by CCASS on the Exercise Date, such input to be effected as soon as reasonably practicable and, in any event, no later than the time stated in the CCASS Rules (which time is currently 11:30 a.m. (Hong Kong time)) for the matching of such instructions pursuant to the Settlement Instruction matching run conducted preceding the second batch settlement run effected by CCASS on the Exercise Date; and
- (ii) the Issuer shall procure that the Warrant Agent itself or through its sub agent shall input to CCASS a Settlement Instruction, to effect the debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent of the total number of the Shares to be sold and transferred by the Warrantholder to the Issuer in the second batch settlement run effected by CCASS on the Exercise Date, on a FOP basis in accordance with the CCASS Rules, such input to be effected as soon as reasonably practicable and, in any event, no later than the time stated in the CCASS Rules (which time is currently 11:30 a.m. (Hong Kong time)) for the matching of such instructions pursuant to the Settlement Instruction matching run conducted preceding the second batch settlement run effected by CCASS on the Exercise Date.
- (g) Subject to the Warrantholder fulfilling its obligations under Conditions 4(b) and 4(c) above and to the Issuer procuring the fulfilment of the obligations of the Warrant Agent under Condition 4(f) above, for a valid exercise of those Warrants the total number of Warrants the subject of the Exercise Notice and the total number of Shares to be sold and transferred by the Warrantholder to the Issuer must be debited from the Stock Account of the Warrantholder and credited to the Stock Account of the Issuer or its agent, on a FOP basis in accordance with the CCASS Rules in the second batch settlement run effected by CCASS on the Exercise Date.

- (h) Subject to the Warrant Agent or its sub agent confirming to the Issuer that the transfer of the total number of Warrants the subject of the Exercise Notice and the total number of Shares to be sold and transferred by the Warrantheader to the Issuer has been duly completed in accordance with Condition 4(g) above, the Issuer shall procure that the Warrant Agent or its sub agent shall by 1:00 p.m. (Hong Kong time) on the Exercise Date input to CCASS a withdrawal instruction, in such form as HKSCC may from time to time prescribe as being valid under the CCASS Rules, to withdraw from CCASS the total number of Warrants the subject of the Exercise Notice and the total number of Shares to be transferred by the Warrantheader to the Issuer. Subject to their being made available by HKSCC for collection by 5:00 p.m. (Hong Kong time) on the Exercise Date, the Warrant Agent itself or through its sub agent shall collect the certificates in respect of the Warrants and the Shares from CCASS in accordance with the CCASS Rules.

The Issuer may change or modify the procedures set out in Conditions 4(f) to 4(h), as well as any other Conditions relating to the procedures for the settlement of the Warrants, to take into account any changes in market practice (including CCASS procedures in relation to conversion of the Warrants) by setting out such changes or modifications in a Supplemental Listing Document.

- (i) Subject to a valid exercise of Warrants,
- (i) the Registrar shall, on the first Business Day following the Exercise Date, procure the cancellation of the number of Warrants the subject of the Exercise Notice;
 - (ii) the Issuer will procure the payment into the bank account whose name and number was specified in the Exercise Notice by the Warrantheader of an amount equal to the aggregate of the Exercise Price less the Exercise Expenses of the Warrants the subject of the Exercise Notice on the Business Day next following the Exercise Date; and
 - (iii) the Warrant Agent shall hold the Shares transferred to the Issuer by the Warrantheader to the order of the Issuer.

Notwithstanding the foregoing, the Warrantheader shall account to the Issuer on demand for any unpaid Exercise Expenses to the extent that they were not or could not be paid prior to the Exercise Date.

- (j) (i) Delivery of an Exercise Notice in accordance with Condition 4(c) shall constitute an irrevocable election and undertaking by the Warrantheader specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to the Issuer to deduct the Exercise Expenses from the Exercise Price and to transfer the Shares to be sold and transferred to the Issuer upon the exercise of such Warrants and an acknowledgement that the Warrant Agent will withdraw such Warrants and such Shares from CCASS for the purposes of validation of good title of such Shares and cancellation of such Warrants.

- (ii) If the Shares in respect of any Warrants being exercised are not transferred in accordance with Condition 4(g) as a result of any act or omission of the Warrantholder, any such transfer may, with the consent of the Issuer (which consent may be granted or withheld at the Issuer's absolute discretion), be effected as soon as possible after delivery of the Exercise Notice, but without prejudice to the rights of the Issuer or of any other person in respect of the actions or omissions of the Warrantholder in question, and in such circumstances, the relevant Warrants shall not be treated as exercised earlier than the Exercise Date upon which all such Shares have been sold and transferred in accordance with Condition 4(g). In no event, however, will any sale or transfer be accepted after 12:00 noon (Hong Kong time) on the Expiry Date.

- (k) In these Conditions,
 - (i) a "**Business Day**" shall be a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open in Hong Kong for business;
 - (ii) "**Expiry Date**" means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately succeeding Business Day;
 - (iii) "**Stock Account**" means, in relation to a Warrantholder or (as the case may be) the Issuer or its agent, its stock clearing account(s) in CCASS used for settlement purposes; and
 - (iv) all procedures relating to the Warrants involving CCASS are subject to the CCASS Rules.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any

payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the above formula would result in an adjustment to the Entitlement which would amount to less than one per cent. of the Entitlement, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event.

Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.
- (g) *Excess Shares.* If, as a result of an adjustment to the Entitlement pursuant to Conditions 6(a), (b), (c) and (e) above (but not otherwise), an exercise of a number of Warrants specified in an Exercise Notice would (if not for the provisions of this Condition 6(g)) result in the relevant Warrantholder becoming entitled to sell and transfer a number of Shares which is not equal to a board lot of the Shares at such time or an integral multiple thereof, then (a) the relevant Warrantholder shall not be entitled to sell and transfer to the Issuer and the Issuer shall cease to be obliged to purchase in respect of such exercise, that number of Shares (the "**Excess Shares**") which exceeds the amount of such board lot or integral multiple thereof, and (b) the Issuer shall be entitled to deduct from the Exercise Price a cash amount equal to the closing price on the Business Day immediately preceding the relevant Exercise Date (as derived from the Daily Quotation Sheet of the Stock Exchange or, if no such quotation is available, the most recently available closing price) of one Share multiplied by the number of the Excess Shares.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Warrant Certificates

- (a) Each Warrantholder shall be entitled, within ten Business Days after any Warrants are issued or transferred to him, to one warrant certificate in respect of such Warrants or, upon payment of an amount not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may determine, to two or more warrant certificates each in respect of part of such Warrants.
- (b) If a warrant certificate is defaced, worn out, lost, stolen or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses incurred by the Issuer in investigating evidence, and payment of such fee not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may require and, in the case of defacement or wearing out, surrender of the old certificate.

9. Meetings of Warrantholders; Modification

- (a) *Meetings of Warrantholders.* The Registrar's Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Instrument) of a modification of the provisions of the Warrants or of the Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantholders.

Resolutions can be passed in writing without a meeting of the Warrantholders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Instrument which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Instrument (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All warrant certificates, cheques and other documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first-named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

12. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 12(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

13. Governing Law

The Warrants, the Guarantee, the Instrument and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Instrument and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

14. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PART E – TERMS AND CONDITIONS OF THE AVERAGE RETURN CALL WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 11 June 2007 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) dated 29 July 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights*. Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses*. On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4.
- (c) *Definitions*. For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) in respect of a Periodic Fixing Date (as defined in the relevant supplemental listing document) multiplied by (i) the sum of the Periodic Reference Prices (subject to adjustment as provided in Condition 6) divided by the number of Periodic Fixing Dates less (ii) the Exercise Price (subject to adjustment as provided in Condition 6); less (2) the Exercise Expenses. For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Closing Price” means the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for

dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“**Periodic Reference Price**” means, in respect of each Periodic Fixing Date, an amount in Hong Kong dollars calculated by the Issuer as equal to the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date with respect to each Periodic Fixing Date;

“**Settlement Disruption Event**” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantheolders (“**Designated Bank Account**”);

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited; and

“**Valuation Date**” means, with respect to the exercise of Warrants and each Periodic Fixing Date, and subject as provided below in relation to a Market Disruption Event, each of the five Business Days immediately preceding such Periodic Fixing Date.

3. Exercise of Warrants, Automatic Exercise and Expiry

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheolders). The Warrantheolders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantheolders the Cash Settlement Amount (if any) in accordance with Condition 4(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(b) shall expire immediately without value thereafter and all rights of the Warrantheolder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantheolders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after a Periodic Fixing Date then (i) the Business Day immediately preceding such Periodic Fixing Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the Periodic Reference Price with respect to a Periodic Fixing Date, so that in no event shall there be less than five closing prices to determine each Periodic Reference Price.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) and any Periodic Reference Price(s) which has or have been determined, by the reciprocal of the Adjusted Entitlement where in each case the reciprocal of the Adjusted Entitlement means one divided by the Adjusted Entitlement. These adjustments shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any

payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) and any Periodic Reference Price(s) which has or have been determined, by the reciprocal of the Adjusted Entitlement where in each case the reciprocal of the Adjusted Entitlement means one divided by the Adjusted Entitlement. These adjustments shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) and any Periodic Reference Price(s) which has or have been determined, by the reciprocal of the Adjusted Entitlement where in each case the reciprocal of the Adjusted Entitlement means one divided by the Adjusted Entitlement. These adjustments to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder

of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheholder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first-named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PART F – TERMS AND CONDITIONS OF THE AVERAGE RETURN PUT WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 11 June 2007 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) dated 29 July 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights*. Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses*. On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4.
- (c) *Definitions*. For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) in respect of a Periodic Fixing Date (as defined in the relevant supplemental listing document) multiplied by (i) the Exercise Price (subject to adjustment as provided in Condition 6) less (ii) the sum of the Periodic Reference Prices (subject to adjustment as provided in Condition 6) divided by the number of Periodic Fixing Dates; less (2) the Exercise Expenses. For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Closing Price” means the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for

dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“**Periodic Reference Price**” means, in respect of each Periodic Fixing Date, an amount in Hong Kong dollars calculated by the Issuer as equal to the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date with respect to each Periodic Fixing Date;

“**Settlement Disruption Event**” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantheolders (“**Designated Bank Account**”);

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited; and

“**Valuation Date**” means, with respect to the exercise of Warrants and each Periodic Fixing Date, and subject as provided below in relation to a Market Disruption Event, each of the five Business Days immediately preceding such Periodic Fixing Date.

3. Exercise of Warrants, Automatic Exercise and Expiry

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheolders). The Warrantheolders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantheolders the Cash Settlement Amount (if any) in accordance with Condition 4(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(b) shall expire immediately without value thereafter and all rights of the Warrantheolder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantheolders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after a Periodic Fixing Date then (i) the Business Day immediately preceding such Periodic Fixing Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the Periodic Reference Price with respect to a Periodic Fixing Date, so that in no event shall there be less than five closing prices to determine each Periodic Reference Price.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) and any Periodic Reference Price(s) which has or have been determined, by the reciprocal of the Adjusted Entitlement where in each case the reciprocal of the Adjusted Entitlement means one divided by the Adjusted Entitlement. These adjustments shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any

payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) and any Periodic Reference Price(s) which has or have been determined, by the reciprocal of the Adjusted Entitlement where in each case the reciprocal of the Adjusted Entitlement means one divided by the Adjusted Entitlement. These adjustments shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) and any Periodic Reference Price(s) which has or have been determined, by the reciprocal of the Adjusted Entitlement where in each case the reciprocal of the Adjusted Entitlement means one divided by the Adjusted Entitlement. These adjustments to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder

of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheholder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first-named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PART G – TERMS AND CONDITIONS OF THE LOCKED-IN RETURN CALL WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 11 June 2007 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) dated 29 July 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses.* On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4.
- (c) *Definitions.* For the purposes of these Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the sum of the Periodic Cash Settlement Amounts divided by the number of Periodic Fixing Dates (as defined in the relevant supplemental listing document) less (2) the Exercise Expenses;

“**CCASS**” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**Closing Price**” means the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date;

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“**Expiry Date**” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“**Market Disruption Event**” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Periodic Cash Settlement Amount” means, in respect of every Exercise Amount and in respect of each Periodic Fixing Date, an amount in Hong Kong dollars calculated by the Issuer as equal to the greater of (1) zero and (2) the Entitlement (subject to adjustment as provided in Condition 6) in respect of such Periodic Fixing Date multiplied by (i) the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date less (ii) the Exercise Price (subject to adjustment as provided in Condition 6); for the avoidance of doubt, in respect of any Periodic Fixing Date, any adjustment under Condition 6 which takes effect after such Periodic Fixing Date shall not affect the calculation of the Periodic Cash Settlement Amount in respect of such Periodic Fixing Date in any way;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantheolders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means, with respect to the exercise of Warrants and each Periodic Fixing Date, and subject as provided below in relation to a Market Disruption Event, each of the five Business Days immediately preceding such Periodic Fixing Date.

3. Exercise of Warrants, Automatic Exercise and Expiry

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheolders). The Warrantheolders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantheolders the Cash Settlement Amount (if any) in accordance with Condition 4(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(b) shall expire immediately without value thereafter and all rights of the Warrantheolder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantheolders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after a Periodic Fixing Date then (i) the Business Day immediately preceding such Periodic Fixing Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the Closing Price for the determination of each Periodic Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the Closing Price.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any

payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event.

Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheholder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first-named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PART H – TERMS AND CONDITIONS OF THE LOCKED-IN RETURN PUT WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 11 June 2007 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) dated 29 July 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses.* On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4.
- (c) *Definitions.* For the purposes of these Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the sum of the Periodic Cash Settlement Amounts divided by the number of Periodic Fixing Dates (as defined in the relevant supplemental listing document) less (2) the Exercise Expenses;

“**CCASS**” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**Closing Price**” means the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date;

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“**Expiry Date**” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“**Market Disruption Event**” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Periodic Cash Settlement Amount” means, in respect of every Exercise Amount and in respect of each Periodic Fixing Date, an amount in Hong Kong dollars calculated by the Issuer as equal to the greater of (1) zero and (2) the Entitlement (subject to adjustment as provided in Condition 6) in respect of such Periodic Fixing Date multiplied by (i) the Exercise Price (subject to adjustment as provided in Condition 6) less (ii) the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date; for the avoidance of doubt, in respect of any Periodic Fixing Date, any adjustment under Condition 6 which takes effect after such Periodic Fixing Date shall not affect the calculation of the Periodic Cash Settlement Amount in respect of such Periodic Fixing Date in any way;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantheolders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means, with respect to the exercise of Warrants and each Periodic Fixing Date, and subject as provided below in relation to a Market Disruption Event, each of the five Business Days immediately preceding such Periodic Fixing Date.

3. Exercise of Warrants, Automatic Exercise and Expiry

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheolders). The Warrantheolders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantheolders the Cash Settlement Amount (if any) in accordance with Condition 4(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(b) shall expire immediately without value thereafter and all rights of the Warrantheolder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantheolders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after a Periodic Fixing Date then (i) the Business Day immediately preceding such Periodic Fixing Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the Closing Price for the determination of each Periodic Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the Closing Price.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any

payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event.

Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheolder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first-named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PART I – TERMS AND CONDITIONS OF THE BASKET CALL WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to a basket comprising Shares of each of the Companies are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 11 June 2007 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) dated 29 July 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement. References in these Conditions to “**Company**” shall be a reference to a company comprising one of the Companies and references to “**Shares**” shall be a reference to the shares of the Companies or, as the context requires, to the shares of a particular Company.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights*. Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses*. On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.
- (c) *Definitions*. For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, in respect of every Exercise Amount:

- (A) in case of the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the sum of each Basket Component of the Companies that comprise the basket (subject to adjustment as provided in Condition 6) multiplied by the arithmetic mean of the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date less (2) the Exercise Price and the Exercise Expenses; or
- (B) in the case of the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the sum of each Basket Component of the Companies that comprise the basket (subject to adjustment as provided in Condition 6) multiplied by the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date less (2) the Exercise Price and the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) any of the Shares; or (b) any options or futures contracts relating to any of the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantheolders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means,

- (A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day on which there was no Market Disruption Event. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share; or
- (B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Exercise Date, provided that if the Issuer determines, in its sole discretion, that on such Exercise Date a Market Disruption Event has occurred, then the Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event, provided that if there is a Market Disruption Event on each of the five Business Days immediately following such Exercise Date that, but for the Market Disruption Event, would have been the Valuation Date, then:
 - (i) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and
 - (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on that fifth Business Day but for the Market Disruption Event,

provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4(A) at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) European Style Warrants

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).

- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply to Warrants which are expressed to be American Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
- (i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
- (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.
- (c) *Exercise Notice.* The Exercise Notice shall:
- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
- (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and
- (iii) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.
- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(A)(b) and 4(A)(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.
- (e) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise in accordance with these Conditions pursuant to an Exercise Notice or automatic exercise; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

- (f) *Cash Settlement.* Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have directed, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following:

- (i) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Valuation Date; or
- (ii) with respect to the automatic exercise of American Style Warrants on the Expiry Date in accordance with Condition 3(A)(b), the Expiry Date,

(the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions, or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues.* If and whenever any of the Companies shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Basket Component that relates to the Share(s) of the Company making the Rights Offer will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Basket Component insofar} \\ \text{as it relates to the Share(s) of the} \\ \text{Company making the Rights Offer} \end{array} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Rights Offer immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which the Shares (of the Company making the Rights Offer) are traded on a cum-Rights basis
- R: Subscription price per Share (of the Company making the Rights Offer) specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share (of the Company making the Rights Offer) each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to such Basket Component.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues.* If and whenever any of the Companies shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the relevant Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a **“Bonus Issue”**) the Basket Component that relates to the Share(s) of the Company making the Bonus Issue will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

Adjusted Basket Component insofar
as it relates to the Share(s) of the Company making the Bonus Issue = (1 + N) x E

Where:

- E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Bonus Issue immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share (of the Company making the Bonus Issue) held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to such Basket Component.

- (c) *Share Splits or Consolidations.* If and whenever any of the Companies shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a **“Subdivision”**) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a **“Consolidation”**), the Basket Component, insofar as it relates to the Share(s) of the Company making the Subdivision, in effect immediately prior thereto will be increased or the Basket Component, in effect immediately prior thereto insofar as it relates to the Share(s) of the Company making the Consolidation will be decreased in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect.

- (d) *Merger or Consolidation.* If it is announced that any of the Companies is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where that Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheolder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantheolders.

Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantholder or to which a Warrantholder is entitled or which the Issuer shall have agreed to deliver to a Warrantholder may be delivered by hand or sent by post addressed to the Warrantholder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warrantholder's address (or, in the case of joint Warrantholders, to the address of the first-named Warrantholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantholder.
- (b) All notices to Warrantholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantholders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of all of the Companies or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of their undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation of the last Company to be so affected, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution of the last Company to be so affected, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of any of the Companies, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time any of the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).

- (b) Without prejudice to the generality of Condition 13(a), where any of the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PART J – TERMS AND CONDITIONS OF THE BASKET PUT WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to a basket comprising Shares of each of the Companies are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 11 June 2007 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) dated 29 July 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement. References in these Conditions to “**Company**” shall be a reference to a company comprising one of the Companies and references to “**Shares**” shall be a reference to the shares of the Companies or, as the context requires, to the shares of a particular Company.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses.* On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.
- (c) *Definitions.* For the purposes of these Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means, in respect of every Exercise Amount:

- (A) in case of the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Exercise Price less (2) the sum of each Basket Component of the Companies that comprise the basket (subject to adjustment as provided in Condition 6) multiplied by the arithmetic mean of the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date and the Exercise Expenses; or
- (B) in the case of the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Exercise Price less (2) the sum of each Basket Component of the Companies that comprise the basket (subject to adjustment as provided in Condition 6) multiplied by the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date and the Exercise Expenses;

“**CCASS**” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**Exercise Expenses**” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“**Expiry Date**” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) any of the Shares; or (b) any options or futures contracts relating to any of the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means,

- (A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day on which there was no Market Disruption Event. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share; or
- (B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Exercise Date, provided that if the Issuer determines, in its sole discretion, that on such Exercise Date a Market Disruption Event has occurred, then the Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event, provided that if there is a Market Disruption Event on each of the five Business Days immediately following such Exercise Date that, but for the Market Disruption Event, would have been the Valuation Date, then:
 - (i) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and
 - (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on that fifth Business Day but for the Market Disruption Event,

provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4(A) at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) European Style Warrants

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).

- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply to Warrants which are expressed to be American Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.
- (c) *Exercise Notice.* The Exercise Notice shall:
 - (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and
 - (iii) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.
- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(A)(b) and 4(A)(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.
- (e) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are (i) the subject of a valid exercise in accordance with these Conditions whether pursuant to an Exercise Notice or automatic exercise; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

- (f) *Cash Settlement.* Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have directed, applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following:

- (i) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Valuation Date; or
- (ii) with respect to the automatic exercise of American Style Warrants on the Expiry Date in accordance with Condition 3(A)(b), the Expiry Date,

(the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date, (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues.* If and whenever any of the Companies shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Basket Component that relates to the Share(s) of the Company making the Rights Offer will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Basket Component insofar} \\ \text{as it relates to the Share(s) of the} \\ \text{Company making the Rights Offer} \end{array} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Rights Offer immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which the Shares (of the Company making the Rights Offer) are traded on a cum-Rights basis
- R: Subscription price per Share (of the Company making the Rights Offer) specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share (of the Company making the Rights Offer) each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to such Basket Component.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues.* If and whenever any of the Companies shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the relevant Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a **“Bonus Issue”**) the Basket Component that relates to the Share(s) of the Company making the Bonus Issue will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Basket Component insofar} \\ \text{as it relates to the Share(s) of the} \\ \text{Company making the Bonus Issue} \end{array} = (1 + N) \times E$$

Where:

- E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Bonus Issue immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share (of the Company making the Bonus Issue) held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to such Basket Component.

- (c) *Share Splits or Consolidations.* If and whenever any of the Companies shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a **“Subdivision”**) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a **“Consolidation”**), the Basket Component, insofar as it relates to the Share(s) of the Company making the Subdivision, in effect immediately prior thereto will be increased or the Basket Component, insofar as it relates to the Share(s) of the Company making the Consolidation, in effect immediately prior thereto will be decreased in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect.

- (d) *Merger or Consolidation.* If it is announced that any of the Companies is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where that Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantheolders generally (without considering the circumstances of any individual Warrantheolder or the tax or other consequences of such adjustment in any particular jurisdiction).
- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warranholders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warranholders; Modification

- (a) *Meetings of Warranholders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warranholders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warranholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warranholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warranholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warranholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warranholders shall be binding on all the Warranholders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warranholders.

Resolutions can be passed in writing without a meeting of the Warranholders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warranholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warranholders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warranholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantholder or to which a Warrantholder is entitled or which the Issuer shall have agreed to deliver to a Warrantholder may be delivered by hand or sent by post addressed to the Warrantholder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warrantholder's address (or, in the case of joint Warrantholders, to the address of the first-named Warrantholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantholder.
- (b) All notices to Warrantholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantholders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of all of the Companies or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of their undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation of the last Company to be so affected, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution of the last Company to be so affected, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of any of the Companies, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time any of the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).

- (b) Without prejudice to the generality of Condition 13(a), where any of the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PART K – TERMS AND CONDITIONS OF THE INDEX CALL WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 11 June 2007 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) dated 29 July 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Every Exercise Amount entitles each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, to payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses.* On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.
- (c) *Definitions.* For the purposes of these Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

Where the Warrants are expressed to be Index Call Spread Warrants:

“**Cash Settlement Amount**” means, in respect of every Exercise Amount, an amount calculated by the Issuer as equal to either:

- (A) where the Closing Level on the Valuation Date is equal to or less than the Cap Level, (i) the excess of the Closing Level over the Strike Level, multiplied by the Index Currency Amount, either converted (if applicable) (a) into the Settlement Currency at the Exchange Rate or, as the case may be, (b) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate, less (ii) the Exercise Expenses; or
- (B) where the Closing Level on the Valuation Date is greater than the Cap Level, (i) the excess of the Cap Level over the Strike Level, multiplied by the Index Currency Amount, either converted (if applicable) (a) into the Settlement Currency at the Exchange Rate or, as the case may be, (b) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate, less (ii) the Exercise Expenses;

Where the Warrants are not expressed to be Index Call Spread Warrants:

“**Cash Settlement Amount**” means, in respect of every Exercise Amount, an amount calculated by the Issuer equal to (1) the excess of the Closing Level on the Valuation Date over the Strike Level, multiplied by the Index Currency Amount, either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate less (2) the Exercise Expenses;

“**CCASS**” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means:

- (1) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of securities on the Index Exchange; or
 - (iii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of paragraph (1), (a) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any exchange, and (b) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

- (2) where the Index Exchange is the Stock Exchange, the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means the Exercise Date (as defined below) or the Expiry Date.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4(A) at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheholders). The Warrantheholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantheholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warrantheholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) European Style Warrants

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheholders). The Warrantheholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantheholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantheholder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply to Warrants which are expressed to be American Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.
- (c) *Exercise Notice.* The Exercise Notice shall:
 - (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and
 - (iii) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.
- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(A)(b) and 4(A)(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.
- (e) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise in accordance with these Conditions whether pursuant to an Exercise Notice or automatic exercise; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

- (f) *Cash Settlement.* Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have directed, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

(B) ***European Style Warrants***

The following provisions of this Condition 4(B) shall apply to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments to the Index

- (a) *Successor Index Compiler Calculates and Reports Index.* If the Index is (i) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.
- (b) *Modification and Cessation of Calculation of Index.* If:
 - (i) on or prior to a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
 - (ii) on a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

- (c) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warranholders.

Resolutions can be passed in writing without a meeting of the Warranholders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warranholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warranholders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warranholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warranholder or to which a Warranholder is entitled or which the Issuer shall have agreed to deliver to a Warranholder may be delivered by hand or sent by post addressed to the Warranholder (unless otherwise, in the case of Warrants which are expressed to be American Style, specified in an Exercise Notice) to the Warranholder's address (or, in the case of joint Warranholders, to the address of the first-named Warranholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warranholder.
- (b) All notices to Warranholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warranholders kept by the Registrar.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warranholders, to create and issue further warrants so as to form a single series with the Warrants.

12. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warranholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

13. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PART L – TERMS AND CONDITIONS OF THE INDEX PUT WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) dated the Issue Date made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 11 June 2007 made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) dated 29 July 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.
- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.
- (d) *Title.* Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Every Exercise Amount entitles each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, to payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses.* On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.
- (c) *Definitions.* For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

Where the Warrants are expressed to be Index Put Spread Warrants:

“Cash Settlement Amount” means, in respect of every Exercise Amount, an amount calculated by the Issuer as equal to either:

- (A) where the Closing Level on the Valuation Date is equal to or greater than the Floor Level, (i) the excess of the Strike Level over the Closing Level, multiplied by the Index Currency Amount, either converted (if applicable) (a) into the Settlement Currency at the Exchange Rate or, as the case may be, (b) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate, less (ii) the Exercise Expenses; or
- (B) where the Closing Level on the Valuation Date is less than the Floor Level, (i) the excess of the Strike Level over the Floor Level, multiplied by the Index Currency Amount, either converted (if applicable) (a) into the Settlement Currency at the Exchange Rate or, as the case may be, (b) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate, less (ii) the Exercise Expenses;

Where the Warrants are not expressed to be Index Put Spread Warrants:

“Cash Settlement Amount” means, in respect of every Exercise Amount an amount calculated by the Issuer equal to (1) the excess of the Strike Level over the Closing Level on the Valuation Date, multiplied by the Index Currency Amount, either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate less (2) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means:

- (1) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of securities on the Index Exchange; or
 - (iii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of paragraph (1), (a) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any exchange, and (b) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

- (2) where the Index Exchange is the Stock Exchange, the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means the Exercise Date (as defined below) or the Expiry Date.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4(A) at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) European Style Warrants

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply to Warrants which are expressed to be American Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.
- (c) *Exercise Notice.* The Exercise Notice shall:
 - (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and
 - (iii) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.
- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(A)(b) and 4(A)(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.
- (e) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise in accordance with these Conditions whether pursuant to an Exercise Notice or automatic exercise; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

- (f) *Cash Settlement.* Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have directed, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer may, if applicable, but shall not be obliged, to determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

(B) ***European Style Warrants***

The following provisions of this Condition 4(B) shall apply to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.
- (c) *Cancellation.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer may, if applicable, but shall not be obliged, to determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments to the Index

- (a) *Successor Index Compiler Calculates and Reports Index.* If the Index is (i) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.
- (b) *Modification and Cessation of Calculation of Index.* If:
 - (i) on or prior to a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
 - (ii) on a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

- (c) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warranholders.

Resolutions can be passed in writing without a meeting of the Warranholders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warranholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warranholders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warranholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warranholder or to which a Warranholder is entitled or which the Issuer shall have agreed to deliver to a Warranholder may be delivered by hand or sent by post addressed to the Warranholder (unless otherwise, in the case of Warrants which are expressed to be American Style, specified in an Exercise Notice) to the Warranholder's address (or, in the case of joint Warranholders, to the address of the first-named Warranholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warranholder.
- (b) All notices to Warranholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warranholders kept by the Registrar.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warranholders, to create and issue further warrants so as to form a single series with the Warrants.

12. Governing Law

The Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warranholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Guarantee, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

13. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PART M – TERMS AND CONDITIONS OF THE STRADDLE WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “**Global Certificate**”) made by Calyon Financial Products (Guernsey) Limited (the “**Issuer**”), a deed poll guarantee (the “**Guarantee**”) dated 11 June 2007 and made by Calyon (the “**Guarantor**”) and a base registrar’s and warrant agency agreement (as amended, varied or supplemented from time to time or any successor document, the “**Registrar’s Agreement**”) dated 29 July 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and warrant agent for the Warrants (the “**Registrar**” and “**Warrant Agent**” respectively, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “**Transfer Office**”). The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

References in these Conditions to “**Shares**” shall be a reference to the shares of the Company.

- (b) *Status.* The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.
- (c) *Transfer.* Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules (as defined below).
- (d) *Title.* Each person who is for the time being shown in the register kept by the Issuer outside of Hong Kong as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Sponsor as the absolute owner and holder of such number of Warrants. The expression “**Warrantholder**” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights*. Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.
- (b) *Exercise Expenses*. On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.
- (c) *Definitions*. For the purposes of these Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong (as defined below) and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means, in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to either:

- (A) where the Closing Price is greater than the Exercise Price:

Entitlement x (Closing Price – Exercise Price) – Exercise Expenses

or

- (B) where the Closing Price is less than the Exercise Price:

Entitlement x (Exercise Price – Closing Price) – Exercise Expenses

The Cash Settlement Amount will be less than or equal to zero if (i) the Closing Price is equal to the Exercise Price or (ii) the difference between the Closing Price and the Exercise Price does not exceed the Exercise Expenses (if any). For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**CCASS**” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“**CCASS Participants**” means a person admitted for the time being by Hong Kong Securities Clearing Company Limited as a participant of CCASS;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**Closing Price**” means,

- (A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange) for each Valuation Date; or

(B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange) on the Valuation Date,

subject to any adjustments to such closing price(s) as may be necessary to reflect any capitalisation, rights issue, distribution or the like;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Expiry Date” means the Expiry Date specified in the relevant supplemental listing document or if the Expiry Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholders (**“Designated Bank Account”**);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited, and

“Valuation Date” means,

(A) with respect to the automatic exercise of Warrants on the Expiry Date in accordance with Condition 3(A)(b) or 3(B)(b), each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day on which there was no Market Disruption Event. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the Closing Price for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the Closing Price; or

(B) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Exercise Date, provided that if the Issuer determines, in its sole discretion, that on such Exercise Date a Market Disruption Event has occurred, then the Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event, provided that if there is a Market Disruption Event on each of the five Business Days immediately following such Exercise Date that, but for the Market Disruption Event, would have been the Valuation Date, then:

- (i) that fifth Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and
- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on that fifth Business Day but for the Market Disruption Event,

provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply to Warrants which are expressed to be American Style.

- (a) *Exercise Period.* The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4(A) at any time during the period (the “**Exercise Period**”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).
- (c) *Expiry.* Any Warrant with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply to Warrants which are expressed to be European Style.

- (a) *Exercise of Warrants.* The Warrants are exercisable only on the Expiry Date.
- (b) *Automatic Exercise.* Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheholders). The Warrantheholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantheholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).
- (c) *Expiry.* Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantheholder and obligations of the Issuer with respect to such Warrant shall cease.

4. **Exercise of Warrants**

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply to Warrants which are expressed to be American Style.

- (a) Warrants may only be exercised in Board Lots or integral multiples thereof.
- (b) *Delivery of an Exercise Notice.*
 - (i) In order to exercise Warrants, the Warrantheholder shall deliver to the Transfer Office a duly completed exercise notice obtainable from the Registrar (an “**Exercise Notice**”), such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
 - (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “**Exercise Date**”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.
- (c) *Exercise Notice.* The Exercise Notice shall:
 - (i) specify the name(s) of the Warrantheholder(s) and the number of Warrants being exercised;
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantheholder(s); and
 - (iii) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.

- (d) *Consequences of delivery of an Exercise Notice.* Delivery of an Exercise Notice in accordance with Conditions 4(A)(b) and 4(A)(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.
- (e) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise in accordance with these Conditions whether pursuant to an Exercise Notice or automatic exercise; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (f) *Cash Settlement.* Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have directed, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following:

- (i) with respect to the exercise of American Style Warrants on any Exercise Date prior to 10:00 a.m. (Hong Kong time) on the Expiry Date in accordance with Condition 3(A)(a), the Valuation Date; or
- (ii) with respect to the automatic exercise of American Style Warrants on the Expiry Date in accordance with Condition 3(A)(b), the Expiry Date,

(the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

(B) **European Style Warrants**

The following provisions of this Condition 4(B) shall apply to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in Board Lots or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice.* The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

- (c) *Cancellation.* The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.
- (d) *Cash Settlement.* Subject to automatic exercise of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount will be despatched no later than three Business Days following the Expiry Date (the “**Settlement Date**”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

5. Registrar

- (a) The initial Registrar and the Transfer Office are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 10.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

- (a) *Rights Issues.* If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day (“**Rights Issue Adjustment Date**”) on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues.* If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day (“**Bonus Issue Adjustment Date**”) on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

- E: Existing Entitlement immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

- (c) *Share Splits or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly (the adjusted Entitlement is called “**Adjusted Entitlement**”) in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Entitlement. The adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.
- (d) *Merger or Consolidation.* If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

- (e) *Other Adjustments.* Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).

- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Registrar's Agreement contains provisions for the convening of meetings of the Warrantheolders to consider any matter affecting their interest, including sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantheolders.

Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate (A) which is of a formal, minor or technical nature, (B) which is made to correct an obvious error or (C) which is necessary in order to comply with mandatory provisions of the laws of Hong Kong. Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

- (a) All notices required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent on the same date by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Global Certificate, the Guarantee and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate, the Guarantee and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Warrant Agent and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

APPENDIX 2 – DESCRIPTION OF THE ISSUER

Basic information about the Issuer

The Issuer was incorporated on 8 December 1995 under the laws of Guernsey as a limited liability company.

The Issuer is registered under no. 30322, and its registered office is at Suites 13 & 15, Sarnia House, Le Truchot, St. Peter Port, Guernsey. It has not established a place of business in Hong Kong.

The authorised share capital of the Issuer is 15,250 Euro, divided into 100,000 shares of 0.1525 Euro each.

The number of shares issued is 100,000, all of which are fully paid.

The issued shares are all beneficially owned by Calyon Capital Markets International S.A., which is a wholly-owned subsidiary of Calyon.

Objects of the Issuer

The objects of the Issuer as set in its memorandum of association include the power to carry on business as a finance company and to borrow or raise money by the issue of financial instruments of whatsoever nature.

Business of the Issuer

The Issuer is a finance company, and its principal activity is the issuance of warrants, notes and other financial instruments.

Directors

Name	Business Address
Jean-Pierre ANDREI	25, quai du Président Paul Doumer – 92920 Paris La Défense Cedex, France
Olivier ESCANDE	25, quai du Président Paul Doumer – 92920 Paris La Défense Cedex, France
Jean-François DEROCHE	25, quai du Président Paul Doumer – 92920 Paris La Défense Cedex, France
Fabien Raymond Louis HAJJAR	25, quai du Président Paul Doumer – 92920 Paris La Défense Cedex, France
Robert Hart FEARIS	Suites 13 & 15, Sarnia House, Le Truchot, St. Peter Port, Guernsey
John Stephen BRADLEY	Suites 13 & 15, Sarnia House, Le Truchot, St. Peter Port, Guernsey

APPENDIX 3 – DESCRIPTION OF THE GUARANTOR

GENERAL INFORMATION RELATING TO CALYON

1. Incorporation and Registration

Calyon is a limited liability company incorporated in France as a “*société anonyme*” governed by a Board of Directors. Calyon is registered at the *Registre du Commerce et des Sociétés Nanterre* under the reference SIREN 304 187 701. Its registered office is at 9 quai du Président Paul Doumer, 92920 Paris La Défense Cedex, Paris, France.

As a French corporation with limited liability, Calyon is subject to the dispositions of the *Code de Commerce*, and also, as financial institution, to the dispositions of the *Code monétaire et financier*.

Unless subject to winding up proceedings or an extension of its term, the term of incorporation of Calyon will expire on 25 November 2064 as provided for in its constitutional documents.

2. Historical background

Calyon (previously known as Crédit Agricole Indosuez) is a result of several successive mergers. On 30 September 1975, two French banks, Banque de l'Indochine and Banque de Suez et de l'Union des Mines, merged to form Banque Indosuez. In 1996, Banque Indosuez was acquired by Caisse Nationale de Crédit Agricole, (“**CNCA**” renamed Crédit Agricole S.A. in November 2001). In 1997, CNCA merged Banque Indosuez with Unicredit, the French corporate banking specialised subsidiary of CNCA and also contributed CNCA's international markets, corporate and trade finance activities to Banque Indosuez. The bank which resulted from these transactions was renamed Crédit Agricole Indosuez (“**CAI**”) on 1 July 1997.

In 1999, the private banking activity of CAI was strengthened by the contribution of CNCA's specialised subsidiaries (Banque de Gestion Privée in France and Banque de Crédit Agricole Suisse SA). The bank also expanded its market activities: in 2001 CAI took full control of CPR, a French specialised bank (notably active in asset management, structured products, on-line brokerage activities, as well as trading in hybrid products). The merger of CPR with CAI was decided by the Shareholder's Meeting of CAI held on 15 May 2002.

Finally, following completion of the successful takeover bid of Crédit Lyonnais by Crédit Agricole S.A., on 30 April 2004, CAI benefited from the contribution of the corporate and investment banking activities of Crédit Lyonnais. CAI was then renamed Calyon.

3. Structure of the Crédit Agricole Group and Calyon

Calyon is by more than 95% directly owned by Crédit Agricole S.A.

Crédit Agricole S.A. operates as the central banking institution of the Crédit Agricole Group, a full-service banking group with the largest banking distribution network in France. The shares of Crédit Agricole S.A. have been listed on the French Stock Exchange (le “*Premier marché d'Euronext Paris*”) since 14 December 2001.

Crédit Agricole S.A. represents all Group business lines and entities, and has three main roles within the Group. These roles are:

- the leading institution,
- the central banker,
- the entity responsible for ensuring consistent development.

Crédit Agricole S.A. owns 25% of the capital of the 41 Crédit Agricole regional banks, as well as all Group interests in foreign banks and operating subsidiaries specialising in certain specific business lines.

Crédit Agricole S.A. is a universal bank with a presence throughout the activities of banking and insurance. This is due to the leadership positions in retail banking of the various Crédit Agricole regional banks, as well as those of its subsidiaries in their respective businesses.

Its strategic aims are to consolidate the Group's leadership in French retail banking and to build a strong European base.

In 2003, Crédit Agricole took over Crédit Lyonnais. Due to its straightforward and mutually-agreed business plan, the Crédit Agricole-Crédit Lyonnais tie-up has given birth to a major bank in France, as well as a leading player in Europe.

Detailed financial statements and comments on the Crédit Agricole S.A. Group are available on the website "<http://www.actionnaires.creditagricolesa.fr>".

4. Business Description of Calyon

Calyon is the corporate and investment banking arm of the Crédit Agricole Group.

Calyon has two main areas of activity:

- *Financing*
 - Financing of large corporates and loan syndications,
 - Project finance,
 - Acquisition finance,
 - Aircraft and shipping financing,
 - Export trade and commodity finance, and
 - Real estate.
- *Capital Markets and Investment Banking*
 - Treasury & liquidity management,
 - Fixed income, foreign exchange and commodities derivatives,

- Credit markets,
- Equity derivatives,
- Mergers & acquisitions,
- Equity capital market, and
- Equity brokerage.

Calyon can thus offer a global banking service to its customers and ranks amongst the top banks in France in terms of product lines in its business lines.

Calyon has also an important activity of *International private banking* in Europe due to its strong presence in the three main European private banking markets: Switzerland, Luxembourg and Monaco.

5. Shareholders' Capital

As of 31 December 2006, the shareholders' capital of Calyon amounted to EUR 3,435,953,121 and is divided into 127,257,523 fully paid shares of EUR 27 each.

6. Ratings

The current rating for Calyon is as follows:

Rating agency	Short term debt	Senior long term debt
Fitch Ratings	F1+	AA
Moody's	Prime-1	Aa1
Standard & Poor's	A-1+	AA-

These short and long-term debt ratings covering Calyon's debt obligations are subject to change and Calyon undertakes no responsibility to update or notify anyone of any changes to the ratings of its short or long-term debt obligations.

7. Financial Statements

The audited consolidated financial statements of Calyon, the management discussion and analysis, as well as the two auditors' reports for the years ended 31 December 2004 and 31 December 2003 are included in the respective Annual Reports published by Calyon (previously Crédit Agricole Indosuez).

The audited consolidated statements of Calyon, the management discussion and analysis, as well as the auditors' report for the year ended 31 December 2005 are published in the document called "Document de Référence" for the year 2005 which is available in Calyon's website.

The audited consolidated statements of Calyon, the management discussion and analysis, as well as the auditors' report for the year ended 31 December 2006 are published in the document called "Document de Référence" for the year 2006 which will be available soon in Calyon's website.

8. Board of Directors and Management of Calyon

Calyon is a *société anonyme* governed by a Board of Directors.

Calyon is managed through the Board of Directors of which the composition, at the date of 15 May 2007 is detailed below.

Name	Functions in the board of directors	Title
Georges PAUGET	Chairman	Chief Executive Officer of Crédit Agricole S.A. Chairman of Crédit Lyonnais
Edmond ALPHANDERY	Director	Former Minister Chairman of the Supervisory Board of CNP Assurances
Pierre BRU	Director	Chairman of Crédit Agricole Nord Midi-Pyrénées
Jean-Paul CHIFFLET	Director	Corporate Secretary of FNCA Chief Executive Officer of Crédit Agricole Centre-Est
Jean-Dominique COMOLLI	Director	Chairman of the Board of Directors of ALTADIS Chairman of the Board of Directors of SEITA
Yves COUTURIER	Director	Chief Executive Officer of Crédit Agricole Sud Rhône-Alpes
Frank E. DANGEARD	Director	Chairman & Chief Executive Officer of THOMSON
Jean-Frédéric DREYFUS	Director	
Philippe GESLIN	Director	
François IMBAULT	Director	Chairman of Crédit Agricole de Paris et d'Ile de France
Marc KYRIACOU	Director	

Name	Functions in the board of directors	Title
Jean LE VOURCH	Director	Chairman of Crédit Agricole Finistère
Bernard LOLLIOT	Director	Chief Executive Officer of Crédit Agricole Centre-France
Didier MARTIN	Director	Lawyer-Cabinet Bredin Prat
Jean PHILIPPE	Director	Chief Executive Officer of Crédit Agricole Pyrénées Gascogne
Jean-Marie SANDER	Director	Chairman of FNCA Chairman of Crédit Agricole Alsace-Vosges Chairman of S.A.S. La Boétie
Henri MOULARD	Non-voting director	Chairman of HM & Associés

FNCA – Fédération Nationale du Crédit Agricole

Calyon has a General Management Committee with the following members:

Name	Title
Edouard ESPARBES	Chief Executive Officer
Yves PERRIER	Deputy Chief Executive Officer
Marc LITZLER	Deputy Chief Executive Officer

Calyon also has an Executive Committee which consists of the following members (composition as of 15 May 2007):

Name	Title
Edouard Esparbès	Chief Executive Officer
Yves Perrier	Deputy Chief Executive Officer
Marc Litzler	Deputy Chief Executive Officer
Jérôme Grivet	
Gilles de Dumast	
Ishan Kapur	
Guy Laffineur	
Bernard Mignucci	
Pascal Poupelle	
François Simon	
Marc Tabouis	

The business address of each of the officers named above in his/her capacity as such is c/o Calyon, 9, quai du Président Paul Doumer, 92920 Paris La Défense Cedex, France.

9. Material Litigation

To Calyon Group's knowledge, as the date of this document, Calyon is not involved in any litigation or arbitration proceeding and there are no pending or threatened litigation or arbitration proceedings, other than those mentioned below, which is material in the context of the programme.

Calyon is involved in the normal course of its business in a certain number of litigation and arbitration proceedings in several countries.

Reserves have been booked for legal risks that could have an unfavourable impact on Calyon's financial situation.

The main outstanding legal proceedings involving Calyon group entities are listed below:

Alstom

Investors who bought Alstom shares in 2001 in a public stock offering initiated a class action suit against Alstom, its management, the sellers and members of the underwriting syndicate, including Calyon. The plaintiffs allege that the members of the underwriting syndicate were negligent in verifying certain documents.

B.C.E.N

Calyon and Banque Commerciale pour l'Europe du Nord (B.C.E.N) are in litigation over the terms of execution of a currency futures transaction. B.C.E.N. appealed the lower-court decision in favour of Calyon and the matter has been referred to the Paris Court of Appeals.

Festival Crociere

Calyon financed the acquisition of two ships that were made available to Festival Crociere. The company defaulted and Calyon terminated the charter agreement and foreclosed on the ships. The receiver for Festival Crociere alleges that Calyon acted wrongly and is claiming damages.

Fonds Clariden

A number of investment funds entered into hedging contracts with Calyon and its subsidiary IIF BV to cover their exposure to the USD/RUB foreign exchange risk. Following the Russian financial crisis in 1998, these investment funds were unable to meet their financial obligations, particularly vis-à-vis Calyon and IIF BV.

As a result, Calyon and IIF BV terminated certain contracts prior to their expiry date and seized assets which they held as collateral. The funds were liquidated by court order in 1998. The liquidators alleged that Calyon and IIF BV misused the funds assets and filed a suit against them. Calyon and IIF BV are contesting the claims for damages filed against them. A first favourable ruling was handed down in March 2005. The plaintiffs have appealed the decision.

A settlement was negotiated in 2006, and the matter is now closed.

"Turbo" Funds/CPR (Calyon)

CPR received several notices of tax adjustments for the years from 1988 to 1990, mainly due to tax credits generated by certain mutual funds for which it was the underwriter. CPR contested all of these adjustments. In addition, certain customers of the CPR Group who had purchased shares of these mutual funds managed by the CPR Group also received tax adjustment notices, most of which were contested, and turned to CPR for recourse.

Calyon found the same type of litigation in the assets of CLC Bourse. The risk is evolving favourably.

High Risk Opportunity

A suit was filed against Calyon in the New York courts in connection with a currency hedging contract with HRO. Calyon has appealed a 7 July 2005 court ruling in connection with contract performance.

Otor

Members of Otor's management, who are contesting the contractual arrangement that they set up and that is likely to cause them to lose control of their company. They filed a suit against Clinvest (Calyon) in a New York court, alleging that Calyon is at fault for their involvement in this arrangement and that Calyon violated of US regulations.

A settlement has been reached, putting an end to this dispute.

Bell Group

The receivers of this company allege that 20 banks, including Calyon, improperly seized company assets in violation of the principle of equal treatment of creditors.

Montlaur

Calyon is a defendant in a wrongful action suit filed against several financial institutions in March 1995. The lower court's dismissal of the claims made by plaintiffs was confirmed on appeal. The plaintiffs have lodged a further appeal.

SNGI Belgique

SNGI Belgique, an indirect subsidiary of Calyon, engaged in financial engineering activities, including tax optimisation. The Belgian tax administration is contesting the company's management methods and has instituted an action against it for breach of law.

Lernout et Hauspie

A suit was filed on 6 December 2005 by Lernout & Hauspie shareholders, alleging that Crédit Agricole Luxembourg indirectly caused Lernout & Hauspie to record false revenue figures, through various financial and fiduciary services provided to different persons surrounding the Lernout & Hauspie group.

Moulinex-Brandt

The liquidators of this company initiated wrongful action proceedings in October 2005 against Crédit Lyonnais. The risk has been transferred to Calyon.

San Diego City Employees' Retirement System

Investors that acquired shares in a listed company as part of a public offering in 2001 have initiated a class action suit against the company, its directors, the sellers of the shares and the members of the placing syndicate, including Calyon. The members of the placing syndicate requested that the suit be rejected, and the request was accepted by the judge, although the plaintiffs still have the option to appeal.

APPENDIX 4 – THE GUARANTOR’S FINANCIAL STATEMENTS AND AUDITORS’ REPORT

This is a free translation by the Guarantor of the Statutory Auditor’s Report on the audited Consolidated Financial Statements of the Guarantor for the year ended 31 December 2006 and the related financial information, consisting of the income statement, consolidated balance sheet, changes in shareholders’ equity, cash flow statement and notes to the consolidated financial statements for each of the two years in the period from 1 January 2005 to 31 December 2006 all of which are extracted from the Guarantor’s 2006 “Financial statements – Consolidated financial statements for the year ended 31 December 2006 approved by the Board of Directors at its meeting of 28 February 2007” which are originally prepared in French. References to page numbers in this section are to pages set out in that document. The page numbers of that document appear on the bottom left or right in this section.

The financial management, exposure to risk and hedging policy of the Guarantor is set out in Note 4 of the notes to the consolidated financial statements on pages 36 to 55 of this section.

Financial statements

Consolidated financial statements for the year ended 31 December 2006 approved by the Board of Directors at its meeting of 28 February 2007

The financial statements consist of the foreword, general framework, the income statement, the balance sheet, the statement of changes in shareholders' equity, the cash flow statement and the Notes to the financial statements.

Foreword

Regulatory framework

On 19 July 2002, the European Union adopted EC Regulation 1606/2002, which requires European companies whose securities are traded on a regulated market to produce consolidated financial statements under IFRS as from 2005.

This regulation was supplemented by EC Regulation 1725/2003 of 29 September 2003 on the application of international accounting standards, by EC Regulation 2086/2004 of 19 November 2004 allowing the adoption of IAS 39 in an amended format, and by EC Regulations 2236/2004, 2237/2004 and 2238/2004 of 29 December 2004, 211/2005 of 4 February 2005, 1073/2005 of 7 July 2005, 1751/2005 of 25 October 2005, 1864/2005 of 15 November 2005, 1910/2005 of 8 November 2005, 2106/2005 of 21 December 2005, 108/2006 of 11 January 2006 and 708/2006 of 8 May 2006.

Under the French Ministry of Finance decree No. 2004/1382 of 20 December 2004, companies, even if they are not publicly traded, may prepare their financial statements using IFRS as of 2005. All Calyon entities have elected for this option.

Applicable standards and comparability

The consolidated financial statements have been prepared in accordance with IAS /IFRS and IFRIC interpretations as adopted by the European Union and applicable at 31 December 2006.

The accounting principles and methods applied are the same as those used to prepare the consolidated financial statements for the Group for the year ended 31 December 2005, supplemented by the provisions of those standards and interpretations that must be applied in 2006 for the first time.

These cover the following:

- the revision to IAS 19, Employee Benefits, pertaining to actuarial gains and losses and Group plans;
- the revisions to IAS 39 on financial instruments and pertaining to cash flow hedging for future intra-group transactions and the conditions for using the fair value option;
- the revisions to IAS 39 on financial instruments and of IFRS 4 on insurance contracts and applying to financial guarantee contracts;
- the IFRIC 4 interpretation on conditions for determining whether an agreement contains a lease;
- the amendment to IAS 21 on net investment in a foreign entity.

The application of these new provisions had no material impact on the company's income statement or balance sheet for the period.

The Group has not applied the provisions of those standards, interpretations and amendments that are optional for the period.

This applies to:

- IFRS 7 on information to be provided on financial instruments;
- the amendment to IAS 1 on additional information to be provided on equity;

- IFRIC 7 applying to the financial statement restatement approach under IAS 29;
- IFRIC 8 clarifying the scope of IFRS 2;
- IFRIC 9, “Reassessment of embedded derivatives”.

The first three standards and interpretation will produce an impact only on the presentation of the Group’s financial statements.

The last two interpretations are not expected to produce any material impact on the income statement or balance sheet.

Financial statements presentation format

Calyon uses summarised documents formats (balance sheet, income statement, statement of changes in shareholders’ equity, cash flow statement) advised by CNC recommendation 2004-R.03 of 27 October 2004.

General background

Legal presentation of Calyon

Since the Extraordinary General Meeting of 30 April 2004, the company's name has been **Calyon**. Its trading name is Calyon Corporate and Investment Bank.

Address and registered office of the company: 9 quai du Président Paul Doumer, 92920 Paris La Défense cedex France.

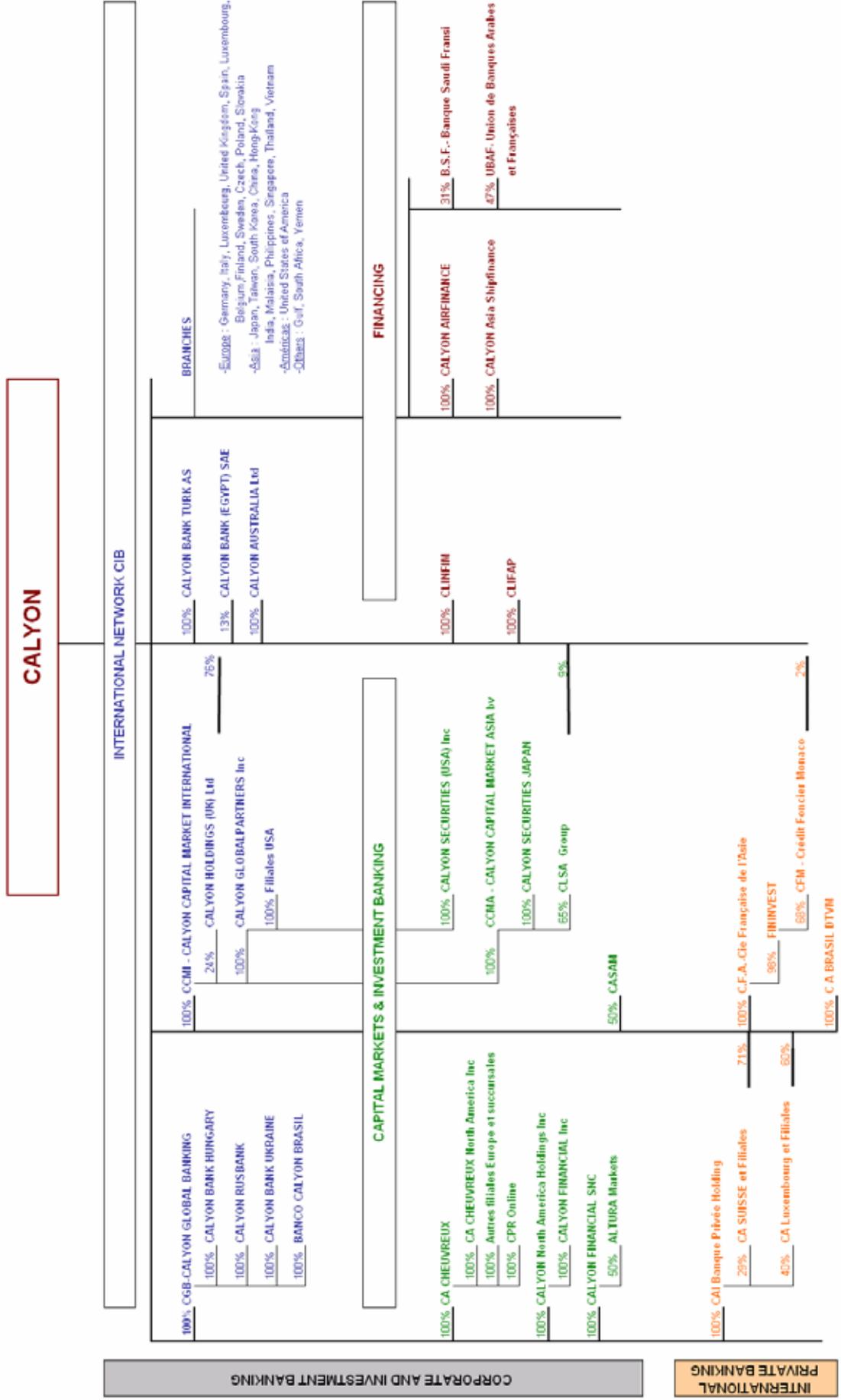
Registration number: 304 187 701, Nanterre Trade and Companies Registry.

APE code: 651 C.

Corporate form

Calyon is a société anonyme (joint stock corporation) with a Board of Directors, governed by the laws and regulations applicable to credit institutions and joint stock corporations and by its Articles of Association.

Simplified organisational chart of Calyon



Related parties

The Calyon group's related parties comprise companies within the Credit Agricole S.A. group with which it has a stockholding relationship and/or joint directors.

The information provided in this report is supplemented by the information given in the statutory auditors' special report on regulated agreements.

Relations with the Credit Agricole S.A. group

On- and off-balance sheet sums outstanding representing transactions between the Calyon group and the rest of the Credit Agricole S.A. group are summarised in the following table:

Outstandings In millions of euros	31 December 2006
Loans	
Loans and advances	4,375
Trading derivatives outstandings	8,251
Liabilities	
Loans and advances	2,219
Trading derivatives outstandings	7,136
Subordinated debts	6,142
Preference shares	418
Financing commitments	
Financing commitments received	94
Guarantees received	1,363

The loans and accounts outstanding identify cash relations between Calyon and the rest of the Credit Agricole S.A. group.

Trading derivatives outstanding mainly represent Crédit Agricole group interest-rate hedging transactions arranged by Calyon in the market.

Subordinated debt outstanding increased following the issue of securities during the period in view of obtaining *Financial Holding Company* status in the USA. The amount of these issues was 1,700 million dollars and 1,100 million euros.

The information concerning preferred shares appears in note 7.18.

Relations between consolidated companies within the Calyon group

A list of Calyon group companies can be found in note 12 to the consolidated financial statements. Transactions and outstandings at the period end between fully consolidated companies are eliminated in full on consolidation. Therefore, the consolidated financial statements are only affected by transactions between fully consolidated companies and proportionally consolidated companies to the extent of the interests held by other shareholders.

The corresponding sums outstanding in the consolidated balance sheet at 31 December 2006 concern the UBAF group, Altura and Chauray for the following amounts:

- due from banks: 6 million euros
- due to banks: 24 million euros

Relations with the executive officers and senior management

Detailed information on senior management compensation is provided in note 8.7 to the financial statements "Executive officers' compensation".

Income statement

In millions of euros	Notes	31.12.2006	31.12.2005
Interest receivable and similar income	5.1	11,729	10,303
Interest payable and similar expense	5.1	(13,689)	(10,247)
Fee and commission income	5.2	3,173	2,962
Fee and commission expense	5.2	(1,249)	(1,044)
Net gains (losses) on financial instruments at fair value through profit or loss	5.3	5,390	2,466
Net gains (losses) on available-for-sale financial assets	5.4, 7.4	297	288
Income related to other activities	5.5	297	300
Expenses related to other activities	5.5	(86)	(90)
Net banking income		5,862	4,938
General operating expenses	5.6, 8.1, 8.4,	(3,468)	(3,057)
Depreciation, amortisation and impairment of property, plant & equipment and intangible assets	5.7	(106)	(111)
Gross operating income*		2,288	1,770
Risk-related costs	5.8	9	87
Share of net income of affiliates	3.3	166	125
Net gains (losses) on other assets	5.9	5	203
Integration-related costs			(86)
Goodwill	3.6		
Pre-tax income		2,468	2,099
Income tax	5.10	(620)	(383)
Net income		1,848	1,716
Minority interests		77	84
Net income - Group share		1,771	1,632
Earnings per share		14.59	14.13
Diluted earnings per share		14.59	14.13

* in 2005, before integration-related costs

Consolidated balance sheet

ASSETS

	Notes	31.12.2006	31.12.2005
In millions of euros			
Cash, due from central banks and French postal system	7.1	1,787	4,890
Financial assets at fair value through profit or loss	7.2	359,535	288,302
Derivative hedging instruments	4.2, 4.4	344	493
Financial assets available-for-sale	7.4	24,551	23,147
Due from banks	4.1, 4.3, 7.5, 7.6	59,519	47,085
Loans and advances to customers	4.1, 4.3, 7.5, 7.6	101,942	87,920
Securities portfolio	4.2, 4.4	3	1
Held-to-maturity financial assets	7.6, 7.8		
Current tax assets		31	
Deferred tax assets	7.10	743	711
Accruals, prepayments and sundry assets	7.11	37,053	26,154
Fixed assets held for sale	7.12		2
Investments in equity affiliates	3.3	668	524
Investment property	7.14	16	200
Property, plant and equipment	7.15	646	616
Intangible assets	7.15	82	57
Goodwill	3.6	1,250	1,214
TOTAL ASSETS		588,170	481,316

LIABILITIES

	Notes	31.12.2006	31.12.2005
In millions of euros			
Due to central banks and current accounts with French postal system	7.1	80	457
Financial liabilities at fair value through profit or loss	7.2	302,991	239,393
Derivative hedging instruments	4.4	188	639
Due to banks	4.3, 7.7	78,810	72,912
Customer accounts	4.1, 4.3, 7.7	84,035	71,665
Debt securities in issue	4.3, 7.9	62,830	47,311
Valuation adjustment on portfolios of hedged items	4.4		2
Current tax liabilities		438	135
Deferred tax liabilities	7.10	191	216
Accruals, deferred income and sundry liabilities	7.11	38,175	30,863
Liabilities associated with fixed assets held for sale	7.12		
General reserves	7.17	920	1,169
Subordinated debt	4.3, 7.9	6,277	4,342
Shareholders' equity	7.18	13,235	12,212
Shareholders' equity - Group share		12,396	11,496
Share capital and reserves		7,686	6,678
Consolidated reserves		2,569	2,611
Unrealised or deferred gains or losses		370	575
Net income for the year		1,771	1,632
Minority interests		839	716
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		588,170	481,316

Changes in shareholders' equity

In millions of euros	Share capital and reserves			Retained earnings - Group share	Unrealised or deferred gains or losses			Net income, group share	Total equity, group share	Minority interests	Total shareholders' equity
	Share capital	Share premiums and other reserves(1)	Elimination of treasury shares		On foreign exchange	Change in fair value of available-for-sale financial assets	Change in fair value of hedging instruments				
Shareholders' equity at 1 January 2005	3,120	6,646	0	9,766	(76)	199	125	0	10,014	681	10,695
Capital increase											
Dividends paid in 2005		(489)		(489)					(489)	(32)	(521)
Change in value of available-for-sale securities (IAS 39)						97			97	(1)	96
Cash flow hedges (IAS 39)							(37)		(37)	(1)	(38)
2005 net income		1,632		1,632					1,632	84	1,716
Impact of acquisitions/disposals on minority interests										(61)	(61)
Share of change in equity of associates companies accounted for under the equity method											
Change in goodwill					309				309	74	383
Other changes		(30)		(30)					(30)	(28)	(58)
Shareholders' equity at 31 December 2005	3,120	7,759	0	10,879	233	296	88	0	11,496	716	12,212
Capital increase	316	692		1,008					1,008		1,008
Dividends paid in 2006		(1,551)		(1,551)					(1,551)	(56)	(1,607)
Change in value of available-for-sale securities (IAS 39)						100			100	1	101
Cash flow hedges (IAS 39)							(138)		(138)	(1)	(139)
2006 net income								1,771	1,771	77	1,848
Impact of acquisitions/disposals on minority interests										157	157
Share of change in equity of associates companies accounted for under the equity method		(32)		(32)					(32)		(32)
Change in goodwill					(222)				(222)	(50)	(272)
Other changes		(36)		(36)					(36)	(5)	(41)
Shareholders' equity at 31 December 2006	3,436	6,832	0	10,268	11	396	(50)	1,771	12,396	839	13,235

(1) : Includes share premiums and parent company's statutory reserve

The changes in the "Unrealised or deferred gains or losses" category in 2006 resulted from the following factors:

- the euro's rise against most other currencies, particularly the US dollar, caused translation adjustments to fall by 222 million euros during the year;
- higher interest rates dragged down the fair value of certain cash flow hedging derivatives by 138 million euros;
- the fair value of certain securities in the "available-for-sale assets" category rose in value, contributing to a 100 million euro rise in shareholders' equity.

Cash flow statement

The cash flow statement is presented using the indirect method.

Operating activities are Calyon's revenue generating activities.
Tax inflows and outflows are included in full within operating activities.

Investing activities show the impact of cash inflows and outflows associated with purchases and sales of investments in consolidated and non-consolidated companies, property, plant and equipment and intangible assets. This section includes strategic equity interests classified as available for sale.

Financing activities show the impact of cash inflows and outflows associated with shareholders' equity and long-term financing.

Net cash and cash equivalents include cash, debit and credit balances with central banks and the French postal system, and debit and credit sight balances with banks.

In millions of euros	2006	2005
Pre-tax income	2,468	2,099
Amortisation and depreciation of property, plant & equipment and intangible assets	109	113
Depreciation and impairment of goodwill and other fixed assets	0	0
Net charge to provisions	(118)	(718)
Share of net income of affiliates	(166)	(125)
Net loss/(gain) on investing activities	(7)	(221)
Net loss/(gain) on financing activities	1,467	324
Other movements	1,119	(295)
Total non-cash items included in pre-tax income and other adjustments	2,404	(922)
Change in interbank items	(16,545)	(3,903)
Change in customer items	(942)	(1,131)
Change in financial assets and liabilities	3,788	(14,141)
Change in non-financial assets and liabilities	(3,380)	5,740
Taxes paid	(107)	(253)
Net decrease/(increase) in assets and liabilities used in operating activities	(17,186)	(13,688)
Total net cash provided by operating activities (A)	(12,314)	(12,511)
Change in equity investments	45	(4,144)
Change in property, plant & equipment and intangible assets	(145)	(67)
Total net cash provided/(used) by investing activities (B)	(100)	(4,211)
Cash received from/(paid) to shareholders	(543)	(294)
Other cash provided/(used) by financing activities	297	(1,134)
Total net cash provided/(used) by financing activities (C)	(246)	(1,428)
Effect of exchange rate changes on cash and cash equivalents (D)	1,064	(829)
Net increase/(decrease) in cash & cash equivalents (A + B + C + D)	(11,596)	(18,979)
Opening cash and cash equivalent	(6,073)	12,906
Cash, central banks, French postal system (assets & liabilities)	4,433	19,204
Interbank sight balances (assets & liabilities)	(10,506)	(6,298)
Closing cash and cash equivalents	(17,669)	(6,073)
Cash, central banks, French postal system (assets & liabilities)	1,705	4,433
Interbank sight balances (assets & liabilities)	(19,374)	(10,506)
CHANGE IN NET CASH AND CASH EQUIVALENTS	(11,596)	(18,979)

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Note 1: Accounting principles and methods

1.1 Significant accounting policies

Non-current assets (IAS 16, 36, 38, 40)

The Calyon Group applies component accounting for all of its non-current tangible and intangible assets. In accordance with the provisions of IAS 16, the depreciable amount takes account of the potential residual value of property, plant and equipment.

Land is measured at cost less any impairment charges.

Property used in operations, investment property and equipment are measured at cost less accumulated depreciation and impairment charges.

Purchased software is measured at purchase price less accumulated depreciation and impairment charges.

Proprietary software is measured at cost less accumulated depreciation and impairment charges.

Other than software, intangible assets principally comprise purchased goodwill, which is measured on the basis of the corresponding future economic benefits or expected service potential.

Fixed assets are amortised over their estimated useful life.

The following components and depreciation periods have been adopted by the Calyon Group following the application of component accounting for fixed assets. These depreciation periods are adjusted according to the type of asset and its location:

Component	Depreciation period
Land	Not depreciable
Structural works	30 to 80 years
Non-structural works	8 to 40 years
Plant and equipment	5 to 25 years
Fixtures and fittings	5 to 15 years
Computer equipment	3 to 7 years
Specialist equipment	4 to 5 years

Based on available information, Calyon has concluded that impairment testing would not lead to any change in the existing depreciable amount of its non-current assets (excluding goodwill) as of the balance sheet date.

Employee benefits (IAS 19)

In accordance with IAS 19, employee benefits are recorded in four categories:

- short-term employee benefits, such as wages, salaries, security contributions and bonuses payable within 12 months of the end of the period;
- long-term employee benefits (long-service awards, bonuses and compensation payable 12 months or more after the end of the period);
- termination benefits;
- post-employment benefits, which in turn are recorded in the two following categories: defined-benefit plans and defined-contribution plans.

Retirement and early retirement benefits - defined benefit plans

In keeping with IAS 19, these commitments are stated based on a set of actuarial, financial and demographic assumptions, and in accordance with the projected unit credit method. Under this method, for each year of service, a charge is booked in an amount corresponding to the employee's vested benefits for the period. The charge is calculated based on the discounted future benefit.

The Calyon Group does not use the optional "corridor" approach and recognises all actuarial differences in profit and loss. The Group has opted not to apply the option allowed under IAS 19 § 93, under which actuarial gains or losses are recognised in a special statement of changes in shareholders' equity rather than in the income statement. Consequently, the amount of the reserve is equal to:

- the present value of the obligation to provide the defined benefits as of the balance sheet date, calculated in accordance with the actuarial method recommended by IAS 19;
- less the fair value of any assets allocated to covering these commitments, which may be represented by an eligible insurance policy. In the event that 100% of the obligation is fully covered by such a policy, the fair value of the policy is deemed to be the value of the corresponding obligation, i.e. the amount of the corresponding actuarial liability.

Pension schemes - defined contribution plans

French employers contribute to a variety of compulsory pension schemes. Plan assets are managed by independent organisations and the contributing companies have no legal or implicit obligation to pay additional contributions if the funds do not have sufficient assets to cover all benefits corresponding to services rendered by employees during the year and during prior years. Consequently, the Calyon Group has no liabilities in this respect other than their ongoing contributions for the past financial year.

Share-based payments (IFRS 2)

IFRS 2 on share-based payment requires share-based payment transactions to be measured and recognised in the income statement and balance sheet. The standard applies to share option plans granted after 7 November 2002, in accordance with the option taken by the Group, which have not yet vested at 1 January 2005 and covers two possible cases:

- share-based payment transactions settled in equity instruments;
- share-based payment transactions settled in cash.

The only share-based payments initiated by the Crédit Agricole S.A. Group that are eligible for IFRS 2 are transactions settled in equity instruments.

Options granted are measured at their fair value on the date of grant using the Black & Scholes model. These options are recognised as a charge under "Personnel costs", with a corresponding adjustment to equity, spread over the vesting period.

Employee share issues made as part of an employee share ownership plan are also governed by IFRS 2. The Calyon Group applies the treatment set out in the release issued by the CNC on 21 December 2004, supplemented by the release issued by the CNC on 7 February 2007. Shares may be offered to employees with a discount of no more than 20%. These plans have no vesting period but the shares are subject to a lock-up period of five years. The benefit granted to employees is measured as the difference between the fair value per share acquired taking account of the lock-up period and the purchase price paid by the employee on the issue date multiplied by the number of shares issued.

Since the charge corresponding to this benefit is not material at the group level, it has not been recognised.

Financial instruments (IAS 32 and 39)

In the 2006 financial statements, financial assets and liabilities are treated in accordance with IAS 39 as endorsed by the European Commission on 19 November 2004, together with EC regulations 1751/2005 of 25 October 2005 and 1864/2005 of 15 November 2005 on use of the fair value option. However, the Calyon Group elected not to use the fair value option to measure its financial liabilities at 31 December 2006.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market-quoted rates provide the best estimate of fair value for financial instruments quoted in an active market. For financial instruments that are not quoted in an active market, fair value is determined using valuation techniques.

Securities

Classification of financial assets

Under IAS 39, financial assets are divided into four categories:

- financial assets at fair value through profit or loss classified as held for trading and financial assets designated as at fair value through profit or loss;
- available-for-sale financial assets;
- held-to-maturity investments;
- loans and receivables.

1. *Financial assets at fair value through profit or loss classified as held for trading and financial assets designated as at fair value through profit or loss*

According to IAS 39, this portfolio comprises securities that are classified under financial assets at fair value through profit or loss either as a result of a genuine intention to trade them or designated as at fair value by Calyon.

Financial assets or liabilities at fair value through profit or loss classified as held for trading are assets or liabilities acquired or generated by the enterprise primarily for purposes of making a profit from short-term price fluctuations or an arbitrage margin.

Designation of financial assets as at fair value through profit or loss means that derivatives embedded in hybrid instruments do not have to be recognised and measured separately.

Securities that are classified under financial assets at fair value through profit or loss are recognised at fair value at inception, excluding transaction costs attributable directly to their acquisition (which are taken directly to profit or loss) and including accrued interest. They are carried at fair value and changes in fair value are taken to profit or loss. No impairment provisions are booked for this category of securities.

2. *Held-to-maturity investments*

This category includes securities with fixed or determinable payments and fixed maturities that Calyon has the intention and ability to hold until maturity other than:

- securities that are initially classified as financial assets at fair value through profit or loss at the time of initial recognition;
- securities that are classified as available-for-sale assets;
- securities that fall into the "Loans and receivables" category. Hence, debt securities that are not traded in an active market cannot be included in the "Held-to-maturity investments" category.

To classify investments as held to maturity, an entity must have the positive intention and ability to hold them to maturity; otherwise the entire portfolio must be reclassified as available for sale and may not subsequently be reclassified as held to maturity for a period of two years.

However, there are certain exceptions to this rule:

- the investment is close to maturity (less than three months);
- the sale occurs after the entity has collected substantially all of the financial asset's original principal (about 90%);
- the sale is justified by an isolated or unforeseeable event beyond the entity's control;
- if it is anticipated that the investment will be impaired, due to a worsening of the issuer's condition (in which case the asset must be recorded in the available for sale category).

Held-to-maturity securities are initially recognised at acquisition cost, including transaction costs that are directly attributable to the acquisition and including accrued interest. They are subsequently measured at amortised cost using the effective interest method.

Where there is objective evidence of impairment, a provision is booked to match the difference between the carrying amount and the estimated recoverable amount discounted at the initial effective interest rate. In case of subsequent enhancements, the surplus provision is recovered.

3. *Loans and receivables*

Loans and receivables comprise unlisted financial assets that generate fixed or determinable payments.

They are recognised at amortised cost using the effective interest method adjusted for any impairment provisions.

Where there is objective evidence of impairment, a provision is booked to match the difference between the carrying amount and the estimated recoverable amount discounted at the original effective interest rate.

4. *Available-for-sale financial assets*

IAS 39 defines available-for-sale financial assets as the default category.

According to IAS 39, the methods of accounting for available-for-sale securities are the following:

- available-for-sale securities are initially recognised at acquisition cost, including transaction costs that are directly attributable to the acquisition and including accrued interest;
- accrued interest is recognised in the balance sheet under the appropriate category of loans and advances and booked to the income statement as interest and similar income;
- changes in fair value are recorded in reversible shareholders' equity. If the securities are sold, these changes are reversed out and recognised in profit or loss. Amortisation of any premiums or discounts on fixed-income securities is taken to profit and loss using the effective interest rate method;
- when there is objective evidence of significant or prolonged impairment for equity securities or impairment evidenced by the appearance of a credit risk for debt securities, the unrealised loss recognised under shareholders' equity is reversed out and recorded in profit or loss for the year. In case of subsequent enhancements, such impairment is recovered through profit or loss for debt instruments but not for equity instruments. Conversely, for equity instruments, any positive change in fair value in case of recovery is recognised in a shareholders' equity account.

Valuation of investments

All financial instruments classified as financial assets at fair value through profit or loss or as available-for-sale financial assets are measured at fair value.

The fundamental valuation method is the price quoted in an active market. If this is not possible, Calyon uses recognised valuation techniques based mainly on recent transactions.

When there is no quoted price for an equity security and no recognised valuation method, the Calyon Group uses methods based on objective, verifiable criteria, such as revalued net assets or any other method of valuing equity securities.

If there is no satisfactory method, or if the estimates obtained using the various methods differ excessively, the security is valued at cost and is recorded under 'Available-for-sale securities'.

Impairment

Impairment is booked when there are objective signs of impairment of assets other than assets held for trading.

Impairment is evidenced by a prolonged or significant decline in the value of the security for equity securities or by the appearance of significant deterioration in credit risk evidenced by a risk of non recovery for debt securities.

With few exceptions, Calyon deems that a prolonged or significant decline is presumed to exist when the equity instrument has lost 30% or more of its value over a period of six consecutive months.

This criterion of prolonged or significant decline in the value of the security is a necessary but not sufficient condition to justify the booking of a provision. A charge is made to such provision only if the impairment will result in a probable loss of all or part of the invested amount.

Recognition date

Calyon recognises securities classified as held to maturity on the settlement/delivery date. Other securities, regardless of type or classification, are recognised on the trading date.

Financial liabilities (IAS 32)

1. Distinction between liabilities and shareholders' equity

A debt instrument or financial liability is a contractual obligation to:

- deliver cash or another financial asset;
- exchange instruments under potentially unfavourable conditions.

An equity instrument is a contract evidencing a residual interest in an enterprise after deduction of all of its liabilities (net assets).

The Calyon Group has granted shareholders of certain fully consolidated subsidiaries an undertaking to acquire their holdings in these subsidiaries, at a price to be determined according to a pre-defined formula which takes account of future developments in their business. These undertakings are in substance put options granted to the minority shareholders, which in accordance with the provisions of IAS 32, means that the minority interests are treated as a liability rather than as shareholders' equity.

The following accounting treatment has been applied:

- when a put option is granted to the minority shareholders of a fully consolidated subsidiary, a liability is recognised in the balance sheet; on initial recognition, the liability is measured at the estimated present value of the exercise price of the options granted; the IFRIC confirmed this treatment at its meeting of 2 November 2006;
- the corresponding asset is recognised by reducing the share of net assets belonging to the minority interests concerned to zero and accounting for the balance as goodwill;
- subsequent changes in the estimated value of the exercise price will affect the amount of the liability and on the asset side, the amount of goodwill recognised;
- the share of income due to the minority shareholders is deducted from the amount of goodwill recognised.

Purchase of treasury shares

Treasury shares (or equivalent derivatives, such as options to buy shares) purchased by the Calyon Group, including shares held to hedge stock option plans, do not meet the definition of a financial asset and are deducted from shareholders' equity. They do not generate any impact on the income statement.

2. *Temporary purchases and sales of securities*

Temporary sales of securities (securities lending/borrowing, repurchase agreements) do not fulfil the derecognition conditions of IAS 39 and are regarded as collateralised financing. Assets lent or sold under repurchase agreements are kept on the balance sheet. If applicable, monies received, representing the liability to the transferee, are recognised on the liabilities side of the balance sheet. Items borrowed or bought under repurchase agreements are not recognised on the transferee's balance sheet. Instead, if the items are subsequently sold, the transferee recognises the amount paid out representing its receivable from the transferor.

Revenue and expenses relating to such transactions are taken to profit and loss on a pro rata temporis basis, except in the case of assets and liabilities designated at fair value through profit or loss.

Lending operations

Loans are principally allocated to the 'Loans and receivables' category. In accordance with IAS 39, they are initially valued at fair value and subsequently valued at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments to the original net loan amount, including any discounts and any transaction income or costs that are an integral part of the effective interest rate.

Subordinated loans and repurchase agreements (represented by certificates or securities) are included under the various categories of loans and advances according to counterparty type.

Revenue calculated using the effective interest rate on receivables is booked to profit and loss as interest and similar income.

In addition to the disclosures required by IAS, the Calyon Group continues to provide the information previously required by CRC Regulation 2002-03 applicable to individual accounts.

Hence, the Calyon Group classifies impaired loans or receivables within the meaning of international standards into three separate categories: bad debts, doubtful debts and restructured loans (loans that have been restructured due to customer default).

Impaired loans or receivables

In accordance with IAS 39, loans recorded under 'loans and receivables' are impaired when one or more loss events occurs in the collection of such loans. Once these loans and receivables have been identified, they may be individually or collectively assessed for impairment. Impairment charges are booked in the amount of the loss incurred, which is equal to the difference of the carrying value of the loans (amortised cost) and the sum of estimated future cash flows, discounted at the original effective interest rate. Impairment charges are booked to provisions or as discounts on loans restructured due to customer default.

The following distinctions are made:

- loans individually assessed for impairment: these are doubtful loans covered by provisions and loans restructured due to customer default that have been discounted;
- loans collectively assessed for impairment: these are loans that are not individually assessed for impairment, for which impairment is determined for a uniform class of loans displaying similar credit risk characteristics.

Bad and doubtful debts

Loans and advances of all kinds, even those which are guaranteed, are classified as bad or doubtful if they carry an identified credit risk arising from one of the following events:

- the loan or advance is at least three months in arrears (six months for mortgage loans and property leases and nine months for loans to local authorities, to take account of their specific characteristics);
- the borrower's financial position is such that an identified risk exists regardless of whether the loan or advance is in arrears;
- the bank and borrower are in legal proceedings.

When a loan is recorded as doubtful, all other loans or commitments relating to that borrower are also recorded in their entirety as doubtful debts, whether or not they are collateralised.

Calyon makes the following distinction between doubtful and bad debts:

Doubtful debts are all doubtful loans and advances which do not fall into the bad debt category.

Bad debts are those for which the prospects of recovery are highly impaired and which are likely to be written off in time.

Restructured performing loans

These are loans on which the entity has changed the initial financial terms and conditions (interest rate, duration) due to a counterparty risk, while reclassifying the outstanding amount into performing loans. The reduction in future payments to the counterparty at the time of restructuring gives rise to recognition of a discount.

Credit risk provisions for loans individually assessed for impairment

Once a loan is classified as doubtful, an impairment is deducted from the asset in an amount equal to the probable loss. Probable losses in respect of off-balance sheet items are covered by provisions recognised as liabilities in the balance sheet.

Calyon books impairments for all foreseeable losses in respect of bad and doubtful debts, discounted at the initial effective interest rate.

Foreseeable losses in respect of portfolios of small loans with similar characteristics may be estimated on a statistical basis rather than individually assessed.

Treatment of discounts and impairment

Discounts in respect of restructured loans and impairment charges against doubtful debts are recognised in profit or loss under risk-related costs.

This discount corresponds to the shortfall in future cash flow, discounted at the original effective interest rate. It is equal to the difference between:

- the nominal value of the loan;
- the sum of the loan's expected future cash flows discounted at the original effective interest rate.

For restructured loans classified as performing, the discount is amortised to profit or loss in net interest income over the life of the loan. For restructured loans classified as doubtful and all non-restructured doubtful loans, impairment charges and reversals are recognised in risk-related costs and any increase in the carrying amount of the loan arising from an impairment reversal or discount amortisation over time is recognised in net interest income.

Credit risk provisions for loans collectively assessed for impairment

Statistical and historical customer default experience shows that there is an identified risk of partial uncollectibility of loans classified as performing. To cover these risks, which cannot by nature be allocated to individual loans, Calyon takes various collective impairment charges by way of deduction from asset values, such as sector provisions, country impairment charges and impairment charges for sensitive exposure (still under surveillance), using models based on statistical experience. Sensitive exposure is calculated in accordance with Basel II models.

Financial liabilities

IAS 39 as endorsed by the European Union recognises two categories of financial liabilities:

- financial liabilities at fair value through profit or loss classified as held for trading. Fair value changes on this portfolio are recognised in profit or loss. However, the Calyon Group has elected not to use the fair value option to measure its financial liabilities;
- other financial liabilities: this category includes all other financial liabilities. These liabilities are initially measured at fair value (including transaction income and costs) and subsequently at amortised cost using the effective interest method.

Derivatives

Derivatives are financial assets or liabilities and are recognised on the balance sheet at fair value at inception of the transaction. At each balance sheet date, derivatives are measured at fair value, whether they are held for trading purposes or used for hedging.

Any change in the value of derivatives on the balance sheet is recorded in an account in the income statement (except in the special case of a cash flow hedging relationship).

Hedge accounting

Fair value hedges reduce the risk of a change in the fair value of a recognised asset or liability or an unrecognised firm commitment.

Cash flow hedges reduce exposure to changes in cash flows resulting from a particular risk on a recognised asset or liability (for example, some or all future interest payments on a floating-rate liability) or on a highly likely forecast transaction.

Hedging of a net investment in a foreign activity is intended to reduce the risk of a fall in fair value arising from the exchange rate risk on an investment made abroad in a currency other than the euro.

Micro-hedges must meet the following criteria in order to be eligible for hedge accounting:

- the hedging instrument and the instrument hedged must be eligible;
- there must be formal documentation from inception, primarily including the individual identification and characteristics of the hedged item, the hedging instrument, the nature of the hedging relationship and the nature of the hedged risk;
- the effectiveness of the hedge must be demonstrated, at inception and retrospectively.

The change in value of the derivative is recorded in the accounts as follows:

- fair value hedges: the change in value of the derivative is recognised in the income statement symmetrically with the change in value of the hedged item in the amount of the hedged risk and only the net amount of any hedging ineffectiveness is recognised in the income statement;
- cash flow hedges: the change in value of the derivative is recognised in the balance sheet in a special reversible shareholders' equity account and any inefficient portion of the hedge is recognised in the income statement. Profits and losses on the derivative under reversible shareholders' equity are then taken to income symmetrically with the hedged transactions;
- hedging of a net investment in a foreign activity: the change in value of the derivative is recognised in the balance sheet in a shareholders' equity translation adjustment account and the inefficient component of the hedge is recognised in the income statement.

In the case of macro-hedging (i.e. hedging a group of assets or liabilities with the same exposure to the risks that is designated as being hedged), the Group documents such hedging relationships based on a gross position in derivative instruments and hedged items.

The effectiveness of macro-hedging relationships is measured by maturity schedules based on average outstandings. In addition, the effectiveness of macro-hedging relationships must be measured through prospective and retrospective testing.

Depending on whether a macro cash flow hedging or fair value hedging relationship has been documented, the change in the value of the derivative is recorded by applying the same principles as those previously described for micro-hedging.

Embedded derivatives

An embedded derivative is the component of a hybrid contract that meets the definition of a derivative product. Embedded derivatives must be accounted for separately from the host contract if the following three conditions are met:

- the hybrid contract is not measured at fair value through profit or loss;
- the embedded component taken separately from the host contract has the characteristics of a derivative;
- the characteristics of the derivative are not closely related to those of the host contract.

Recognition of margins on structured financial instruments at inception

Under IAS 39, margins on structured products and complex financial instruments may be recognised at inception only if these financial instruments can be reliably measured from inception. This condition is met when such instruments are measured using prices in an active market or based on 'standard' internal models that use "observable" market data.

Instruments traded in an active market

If there is an active market, the instrument is stated at the quoted price on that market.

A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The market values adopted are buying prices for net selling positions and selling prices for net buying positions. These values also factor in counterparty risks.

Instruments not traded in an active market

In the absence of an active market, fair value is determined using valuation techniques and models incorporating all factors that market participants would consider in setting a price.

These fair values are determined by factoring in liquidity risk and counterparty risk.

Instruments valued using internal models based on observable market data

When models used are based on standard models (e.g. discounted cash flows or Black & Scholes) using observable market data (e.g. yield curves or implied volatility ranges for options), the margin at inception on such instruments is recognised immediately in profit or loss.

Instruments valued using internal models based on non-observable market data

In this case, the transaction price is deemed to reflect the instrument's market value. The margin at inception is deferred and amortised to profit or loss generally over the period during which the market data is deemed to be non-observable. If market data subsequently become 'observable', the remaining deferred margin is recognised immediately in profit or loss.

Financial guarantees and financing commitments

Financial guarantees are contracts that call for specific payments to be made to reimburse the holder for a loss incurred due to a specified debtor's failure to make a payment when due under the terms of a debt instrument.

Financial guarantee contracts are recognised at fair value initially then subsequently at the higher of:

- the amount calculated in accordance with IAS 37 - “Provisions, Contingent Liabilities and Contingent Assets”; or
- the amount initially recognised, less any amortization recognised in accordance with standard IAS 18 - “Revenues”.

Financing commitments that are not designated as assets at fair value through profit and loss or that are not treated as derivative instruments within the meaning of IAS 39 are not recognised on the balance sheet. They are, however, covered by reserves in accordance with IAS 37.

Derecognition of financial instruments

A financial asset (or group of financial assets) is fully or partially derecognised if:

- the contractual rights to the cash flows from the financial asset expire or are transferred or are deemed to have expired or been transferred because they belong de facto to one or more end beneficiaries;
- substantially all the risks and rewards of ownership in the financial assets are transferred.

In this case, any rights or obligations created or retained at the time of transfer are recognised separately as assets and liabilities.

If the contractual rights to the cash flows are transferred but Calyon retains some of the risks and rewards of ownership as well as control, the financial assets are recognised to the extent of the Group’s continuing involvement in the asset.

Income taxes (IAS 12)

Calyon has been 99.9%-owned by the Credit Agricole Group since 27 December 1996 and some of its subsidiaries form part of the tax consolidation group at the Credit Agricole S.A. level. The tax charge takes into account current income taxes on taxable income and expenses for the year, along with deferred taxes.

This standard requires that deferred taxes be recognised in the following cases:

A deferred tax liability should be recognised for any taxable temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax base, unless the deferred tax liability arises from:

- initial recognition of goodwill;
- initial recognition of an asset or liability in a transaction:
 - ✓ that is not a business combination, and
 - ✓ that does not affect either the accounting or the taxable profit (tax loss) as of the transaction date.

A deferred tax asset should be recognised for any deductible temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax basis, insofar as it is probable that a future taxable profit will be available against which such deductible temporary differences can be allocated.

A deferred tax asset should also be recognised for carrying forward unused tax losses and tax credits insofar as it is probable that a future taxable profit will be available against which the unused tax losses and tax credits can be allocated.

Deferred taxes and liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

The tax rates applicable in each country are used.

In France, the rate of tax on income from ordinary activities and deferred tax is 34.43%.

Deferred taxes are not discounted.

Taxable unrealised gains on securities do not generate any taxable temporary differences between the carrying value of the asset and the tax basis. As a result, deferred tax is not recognised on these gains. When securities are classified as available for sale, the tax charge actually borne by the entity with respect to these unrealised gains is reclassified as a charge to shareholders' equity.

In France, all but 5% of long-term capital gains on the sale of investments in participating interests, as defined by the General Tax Code and which come under long-term tax rules, are exempt from tax as from the tax year commencing on 1 January 2007; this 5% is taxed at the standard tax rate. Hence, deferred tax is recognised only on the taxable portion of the unrealised gains at the end of the financial year.

Deferred tax is recognised in net income for the year, unless the tax arises from:

- either a transaction or event that is recognised directly through equity, during the same year or during another year, in which case it is directly debited or credited to equity;
- or a business combination.

Deferred tax assets and liabilities are offset against each other if, and only if:

- the entity has a legal right to offset current tax assets against current tax liabilities; and
- the deferred tax assets and liabilities apply to taxes levied by the same taxing authority:
 - ✓ either on the same taxable entity,
 - ✓ or on different taxable entities that intend either to settle current tax assets and liabilities on a net basis, or to settle their tax assets and liabilities at the same time during each future financial year in which it is expected that substantial deferred tax assets or liabilities will be paid or recovered.

Provisions (IAS 37,19)

Calyon has identified all obligations (legal or constructive) resulting from a past event for which it is probable that an outflow of resources will be required to settle the obligation, and for which the due date or amount of the settlement is uncertain but can be reliably estimated.

Calyon has set aside general provisions for such obligations to cover:

- operational risks;
- employee benefits;
- financing commitment execution risks;
- claims and liability guarantees,
- tax risks.

Leases (IAS 17)

As required by IAS 17, leases are analysed in accordance with their substance and financial reality. They are classified as operating leases or finance leases.

Operating leases are treated as an acquisition of a fixed asset by the lessee financed by a loan from the lessor.

In the lessor's accounts, analysis of the economic substance of the transactions results in the following:

- recognition of a financial receivable from the customer, which is amortised by the lease payments received;
- lease payments are broken down into interest and principal, known as financial amortisation.

In the lessee's accounts, finance leases and leases with purchase options are restated such that they are recognised in the same way as if the asset had been purchased on credit.

In the income statement, the theoretical depreciation charge (the charge that would have been recognised if the asset had been purchased) and the finance charges (incurred in connection with the financing) are recorded in the place of the lease payments.

Currency transactions (IAS 21)

In accordance with IAS 21, a distinction is made between monetary and non-monetary items.

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are converted into the functional currency of Calyon at the closing exchange rate.

Foreign exchange differences arising from translation are recorded in the income statement. There are two exceptions to this rule:

- for available-for-sale financial assets, only the foreign exchange difference calculated on amortised cost is taken to the income statement; the balance is recorded in shareholders' equity;
- foreign exchange differences on monetary items classified as cash flow hedges or that are part of a net investment in a foreign entity are recorded in shareholders' equity.

Non-monetary assets are treated differently depending on the type of asset:

- assets at historical cost are valued at the exchange rate on the transaction date;
- assets at fair value are measured at the exchange rate on the closing date.

Foreign exchange differences on non-monetary items are recognised:

- in the income statement if the gain or loss on the non-monetary item is recorded in the income statement;
- in shareholders' equity if the gain or loss on the non-monetary item is recorded in shareholders' equity.

1.2 Consolidation principles and methods (IAS 27, 28, 31)

Scope of consolidation

The consolidated financial statements include the accounts of Calyon and of all companies over which Calyon exercises control, in accordance with IAS 27, IAS 28 and IAS 31, and which as such are included in the scope of consolidation of Calyon, and which have a material impact on the overall consolidated financial statements.

In application of the general principles set out in IAS 27 and IAS 28 (investments in subsidiaries and associates) and IAS 31 (interests in joint ventures), materiality is assessed in the light of several criteria including the size of the company's earnings or shareholders' equity in relation to the earnings or shareholders' equity of the consolidated group.

Materiality is deemed to exist when the following criteria are met:

- total assets exceed €10 million euros ;
- Calyon directly or indirectly holds more than 20% of existing and potential voting rights.

Definitions of control

All entities falling under exclusive control, joint control or material influence are consolidated, providing that their contribution is deemed to be material and that they are not covered under the exclusions described below.

Exclusive control is presumed to exist if Calyon owns over half of the voting rights in an entity, whether directly or indirectly through subsidiaries, except if, in exceptional circumstances, it can be clearly demonstrated that such ownership does not give it control. Exclusive control also exists if Calyon, as the owner of half or less than half of the voting rights in an entity, holds majority power within management bodies.

Joint control is exercised in joint ventures in which each of the two or more co-owners are bound by a contractual contribution that provides for joint control.

Significant influence is defined as the power to influence but not control a company's financial and operational policies. Calyon is presumed to have significant influence if it owns 20% or more of the voting rights in an entity, whether directly or indirectly through subsidiaries.

Consolidation of special-purpose entities

The consolidation of special-purpose entities (structures created to manage a transaction or group of similar transactions) is specified by SIC 12.

A special-purpose entity (SPE) is consolidated if it is in substance controlled by the Calyon Group, even in the absence of a capital link.

Whether or not a special-purpose entity is controlled in substance is determined by considering the following criteria:

- the activities of the SPE, in substance, are conducted on behalf of a Calyon Group company according to its specific business needs, such that this company obtains benefits from the SPE's activities;
- this company, in substance, has the decision-making powers to obtain a majority of the benefits of the SPE's activities or has delegated such decision-making powers by establishing an "autopilot" mechanism;
- this company, in substance, has rights to obtain a majority of the benefits of the SPE's activities and as a result may be exposed to the risks related to the SPE's activities; or
- this company, in substance, retains the majority of the residual risks or risks arising from ownership relating to the SPE or its assets, in order to obtain benefits from its activities.

Exclusions from the scope of consolidation

An interest in a controlled entity or an entity under significant influence is excluded from the scope of consolidation if it is acquired and held exclusively with a view to its subsequent disposal in the near future. Such interests are recorded in assets held for sale.

Minority equity interests held by venture capital entities are also excluded from the scope of consolidation insofar as they are classified under financial assets designated as at fair value through profit or loss.

Consolidation methods

The consolidation methods are respectively defined by IAS 27, 28 and 31, based on the type of control exercised by Calyon over the entities that can be consolidated, regardless of their business or of whether or not they have legal entity status:

- entities under exclusive control are fully consolidated, including entities with different account structures, even if their business are not an extension of that of Calyon ;
- entities under joint control are proportionally consolidated, including entities with different account structures, even if their business are not an extension of that of Calyon ;
- entities over which Calyon exercises significant influence are consolidated under the equity method.

Full consolidation consists of eliminating the book value of the shares held in the consolidating company's financial statements and aggregating all assets and liabilities carried by the consolidated companies, and determining and separately identifying the value of the minority interests in their net assets and earnings.

Proportional consolidation consists of eliminating the book value of the shares held in the consolidating company's financial statements and aggregating a proportion of the assets, liabilities and results of the company concerned representing the consolidating company's interest.

The equity method consists of eliminating the book value of the shares held in the Group's financial statements and accounting for its interest in the underlying equity and results of the companies concerned.

Consolidation adjustments and eliminations

The Group makes all material adjustments required to ensure the application of consistent accounting policies in the consolidated financial statements.

Group internal transactions affecting the consolidated balance sheet and income statement are eliminated, with the exception of losses realised when selling assets reflecting an effective reduction in the carrying value of these assets.

Translation of foreign subsidiaries' financial statements (IAS 21)

Financial statements of subsidiaries expressed in foreign currencies are translated into euros in two stages:

- the local currency (or, if applicable, the currency in which the accounts are prepared) is converted into the functional currency using the historical rate method, and all foreign exchange gains or losses are fully and immediately taken to the income statement;
- the functional currency is then converted into the consolidation currency using the exchange rate at the balance sheet date and the translation adjustment is recorded in a separate line under shareholders' equity, showing the share attributable to the entity and the share attributable to minority interests. This adjustment is taken to the income statement when all or part of the interest in the foreign subsidiary is sold or liquidated.

The functional currency of an entity is closely linked to whether or not the entity is independent or not independent:

- the functional currency of an entity that is not independent is the functional currency on which it is dependent, i.e. the currency in which its main transactions are denominated;
- the functional currency of an independent foreign entity is its local currency, other than in exceptional circumstances.

Business combinations - Goodwill (IFRS 3)

Business combinations after the transition date (1 January 2004) are accounted for using the purchase method in accordance with IFRS 3.

The cost of a business combination is the aggregate of the fair values, on the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

On the date of acquisition, the acquiree's identifiable assets, liabilities and contingent liabilities which satisfy the conditions for recognition set out in IFRS 3 are recognised and at their fair value. Restructuring liabilities are only recognised as a liability if the acquiree is under an obligation to complete the restructuring on the date of acquisition.

The initial valuation of assets, liabilities and contingent liabilities may be revised within a period of twelve months after the date of acquisition.

The excess of the cost of acquisition over the fair value of the Group's share in the net assets acquired is recognised in the balance sheet as goodwill if the acquiree is fully or proportionately consolidated. If the acquiree is accounted for using the equity method, the excess is included under the heading "investments in affiliates".

Any negative goodwill is recognised immediately through profit or loss.

When the Group increases its holding in an entity which it already controls, in the absence of specific accounting rules, the additional shares purchased give rise to the recognition of an additional amount of goodwill by comparing the acquisition price of the shares with the share in the net assets acquired. This approach may be subject to change in the future, notably as a function of observable accounting practices in the banking sector or as regulations evolve.

Goodwill is carried in the balance sheet at its initial amount in the currency of the acquiree and translated at the year-end exchange rate.

It is tested for impairment whenever there is objective evidence that it may be impaired and at least once a year.

For the purpose of impairment testing, goodwill is allocated to the Cash Generating Units (CGUs) that are expected to benefit from the business combination. The Group has defined its CGUs as the smallest identifiable group of assets and liabilities within its core businesses that can operate on the basis of a specific business model.

Impairment testing consists of comparing the carrying amount of each CGU, including any goodwill allocated to it, with its recoverable amount.

Recoverable amount is defined as the higher of fair value less costs to sell and value in use, which is the present value of the future cash flows expected to be derived from continuing use of the CGU, as set out in medium-term business plans prepared by the Group for management purposes.

When the recoverable amount is lower than the carrying amount, an irreversible impairment loss is recognised through profit or loss and deducted from the goodwill allocated to the CGU. This impairment is irreversible.

Non-current assets held for sale and discontinued operations (IFRS 5)

A non-current asset (or a disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable.

The relevant assets and liabilities are shown separately on the balance sheet under 'Non-current assets held for sale' and 'Liabilities associated with non-current assets held for sale'.

A non-current asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. A charge for impairment of unrealised gains is recognised in the income statement. Unrealised gains are no longer amortised when they are reclassified.

A discontinued operation is a component of the entity that has either been disposed of, or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;
- is a subsidiary acquired exclusively with a view to resale.

Are disclosed on a separate line of the income statement:

- the post-tax profit or loss of discontinued operations until the date of disposal;
- the post-tax gain or loss recognised on the disposal or on measurement to fair value less costs to sell of the assets and liabilities constituting the discontinued operations.

Note 2: Assessments and estimates used to prepare the financial statements

A certain number of estimates have been made by management to draw up the financial statements for the year ended 31 December 2006. These estimates are based on certain assumptions and involve risks and uncertainties as to their actual achievement in the future.

Actual results may be influenced by many factors, including but not limited to:

- activity in domestic and international markets;
- fluctuations in interest and exchange rates;
- the economic and political climate in certain industries or countries;
- changes in regulations or legislation.

The list is not exhaustive.

Accounting estimates based on assumptions are principally used to value the following assets and liabilities:

Financial instruments at fair value through profit or loss

Most instruments traded over the counter are measured using models that are based on observable market data. For example, the fair value of interest rate swaps is usually determined using market yield curves on the reporting date.

Other financial instruments are generally measured on a discounted cash flow basis.

The fair value of complex financial instruments that are not traded on an active market is determined using valuation techniques. As described in the section on significant accounting policies, the margin at inception is only immediately recognised in profit or loss where the valuation models used are based on market data that is regarded as observable.

Market data is regarded as observable if the market risks department can obtain data from several sources independent of the front offices on a regular basis (daily if possible), for example from brokers or pricing services that collect data from a sufficient number of market participants. A dedicated data management team, which reports to the market risks department, regularly checks the relevance of data obtained in this way and formally documents it.

Conversely, some complex products with a basket component, where valuation requires correlation or volatility data that are not directly comparable with market data, may be regarded as non-observable. Most of these instruments are complex fixed-income products, credit derivatives (certain correlation products or products whose measurement incorporates non-observable credit spreads), equity derivatives (certain products with multiple underlying instruments), or hybrid products and, to a lesser extent, foreign exchange and commodities products. Certain traditional market financial instruments with a long maturity may also be classified as 'non-observable' if the only market data available to measure them are for terms that are shorter than the contractual maturity of such instruments and must be extrapolated in order to measure fair value.

Market data is officially classified as 'observable' and 'non-observable' by a monthly valuation committee which comprises representatives from the front office, the independent market risks department and the finance department.

The gross impact on 2006 results of applying the principle of amortising the margin at inception to Calyon financial statements was €(46) million. At 31 December 2006, margins not yet recognised in profit or loss amounted to €445 million gross. Periodic updating of mapping of products regarded as non-observable did not produce any material impact on the financial statements.

All market products, regardless of their method of recognition in profit or loss, are subject to the risk management system described in the note on market risks. As a result, products for which the variables are regarded as 'non-observable' within the meaning of IAS 39 are subject to the same control rules as other products (risk indicator monitoring, stress tests, limits, etc.).

Retirement and other employee benefits, stock option plans

Liabilities for retirement and other employee benefits are based on assumptions made by management with respect to the discount rate, staff turnover rate and probable increases in salary and social security costs. If the actual figures differ from the assumptions made, the liability may increase or decrease in future years.

The return on plan assets is also estimated by management. Returns are estimated on the basis of expected returns on fixed-income securities, and notably bonds.

Share-based payment plans are measured primarily using the Black & Scholes model. A description of the plans and valuation methods is given in the paragraph on share-based payments.

Full details of all employee benefits are provided in note 8.

Impairment

Equity instruments (other than those held for trading) are tested for impairment and an impairment charge recognised in case of a prolonged or significant decline in their value. In general, a prolonged or significant decline is presumed to have occurred when the instrument has lost at least 30% of its value over a period of six consecutive months. However, management may also take account of other factors (type of investment, issuer's position, short-term prospects, etc.) which may change or prove to be incorrect during subsequent years.

Impairment of unrecoverable debts

Impairment provisions are deducted from the carrying value of loans and advances when there is objective evidence of a risk of non-recovery.

The provisions are discounted and estimated on the basis of several factors, notably business or sector-related. It is possible that future assessments of the credit risk may differ significantly from current estimates, which may lead to an increase or decrease in the amount of the impairment.

Collective impairment is also taken against performing loans. The amount is based on the probability of default in each rating class assigned to borrowers, but also on management's experienced judgement.

A change in estimates within the meaning of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) was made in 2006 regarding collective credit risk provisions. The change was intended to improve portfolio segmentation and the parameters used for estimating impairment, to better reflect Calyon's risk of loss. The change was based on the experience gained over time and is consistent with the work done to prepare for the Basel II reform. It has no material impact on the overall level of collective provisions.

Provisions

Certain estimates may be made to determine the amount of provisions:

- the reserve for legal and tax risks is based on management's best estimate in light of the information in its possession at 31 December 2006.

Goodwill impairment

Goodwill is tested for impairment at least once a year.

The assumptions made to measure the fair value of goodwill may influence the amount of any impairment loss taken.

The method used is described in note 1.2 “Consolidation principles and methods”.

Recognition of deferred tax assets

Deferred tax assets are recognised on all deductible temporary differences to the extent that management believes there will be sufficient taxable profits in the future to offset these differences.

Note 3: Scope of consolidation

The detailed scope of consolidation at 31 December 2006 is given in note 12.

3.1 Changes in the scope of consolidation over the period

The main changes in the scope of consolidation between 31 December 2005 and 31 December 2006 were as follows:

Removals

The following companies whose activities became insignificant or are being discontinued or liquidated were deconsolidated:

- CL Property Broadwalk,
- CL Group Management Ltd,
- BFC Holding,
- CPR BK,
- CL Rouse Limited UK,
- Indosuez Holding UK,
- the Multinational Asset Co. Limited structure, the Casam System Equity Linked Fund , ICF IIa and ICF III funds following the liquidation of their assets,
- Calyon Bank Czech Republic following the transfer of its business to a branch newly created by Calyon in the Czech Republic.

Following the absorption of Egyptian American Bank S.A.E. by Calyon Bank Egypt S.A.E. (since renamed Crédit Agricole Egypt S.A.E.) decided by the extraordinary shareholders' meetings of both companies held on 27 June 2006 and approved by Egypt's Central Bank in July 2006, Calyon owns a 13.09% stake in this new entity. On 31 August 2006, Crédit Agricole Egypt S.A.E. left Calyon's scope of consolidation, since Calyon no longer had any control over this company.

Finally, Clim was absorbed by Clinfim and no longer features in the scope of consolidation.

Additions

The following entities entered the scope of consolidation in 2006:

- Bletchley Investments Limited,
- Aylesbury,
- Calyon Investments, previously known as Crédit Lyonnais Capital Market Plc, which had been deconsolidated in January 2006 following the discontinuation of its business, was reactivated to become Aylesbury's parent company and therefore rejoined the scope of consolidation,
- Minerva SRL,
- Sagrantino,
- European NPL S.A.,
- DGAD International SARL,
- Indosuez Levante S.A.,
- Indosuez Norte SL,
- Casam subsidiaries acquired in the USA: Casam Americas LLC, Lyra Capital LLC, Casam Advisers LLC, Alternative Investment and Research Technologies, Lyra Partners LLC, Casam Cayman Ltd, Casam US Holding Inc,
- Calyon Financial Canada and Calyon Financial Hong Kong.

3.2 Main acquisitions during the year

Partnership with Pirelli Re in the impaired loans market.

As part of a strategic partnership, Calyon (67%) and Pirelli Re (33%) set up a joint venture operating in the European impaired loans market.

This transaction was authorised by the Italian competition authority and market regulator.

The gross carrying value of portfolios acquired and managed by this joint venture was 2 billion euros at 31 December 2006.

Development of CASAM

CASAM (Crédit Agricole Structured Asset Management), a 50%-owned subsidiary of Calyon, acquired the entire capital of Ursa Capital LLC, a US holding company specialising in alternative managed accounts.

3.3 Investments in equity affiliates

	31.12.2006						31.12.2005					
	Equity-accounted value	Market value	Total assets	Net banking income	Net income	Share of net income	Equity-accounted value	Market value	Total assets	Net banking income	Net income	Share of net income
In millions of euros												
Financial institutions (breakdown):	596	2,934	18,517	853	638	159	510	4,272	17,549	689	479	120
Banque Saudi Fransi	574	2,934	16,112	832	635	158	488	4,272	15,256	666	477	119
Crédit Agricole Financement Suisse	22		2,405	21	3	1	22		2,293	23	2	1
Non-financial companies (breakdown) :	72		450	90	19	7	14		141	44	12	5
CASAM	18		179	37	2	1	4		33	12	3	
CA AM Espana Holding	9		38	27	14	6	3		23	14	6	3
Groupe Cholet Dupont	8		102	23	4	1	7		85	18	3	1
CASAM (USA) affiliates	21		131	3	(1)	(1)						
CLSA BV affiliates	16											
SIM SPA Selezione e distribuzione												1
NET BOOK VALUE OF INVESTMENTS IN AFFILIATES	668	2,934	18,967	943	657	166	524	4,272	17,690	733	491	125

The market value shown in the above table is the quoted price of the shares on their trading market at 31 December. It may not be representative of the realisable value of the securities.

The change in Banque Saudi Fransi's stockmarket value should be compared with the performance of Saudi Arabia's TASI stockmarket index, which fell from 16,712.64 at 31 December 2005 to 7,933.29 at 31 December 2006.

3.4 Securitisation transactions and special-purpose vehicles

Securitisation transactions carried out on behalf of customers

These transactions usually involve the creation of special purpose entities (SPEs) which are not consolidated if Calyon does not exercise control. The criterion of control is usually assessed on an "in substance" basis (i.e. based on ownership of the risks and rewards).

Calyon has carried out various types of transactions on behalf of its customers:

- it manages five non-consolidated SPEs in Europe and America (Hexagon Finance a.r.l., LMA, H2O, Atlantic Asset Securitization Corp and La Fayette Asset Securitization) in relation to transactions carried out by customers. These SPEs finance themselves by issuing commercial paper in the euro money markets. Calyon issues letters of credit to guarantee a portion of the risk of default attaching to the assets securitised by its customers, which amounted to 0.93 billion euros at 31 December 2006. No reserves were considered necessary at 31 December 2006. Calyon had also granted a total of 21.51 billion euros in cash lines to these SPEs at 31 December 2006.

- Calyon manages a consolidated SPE (ESF), to which it had granted cash lines totalling 759 million euros at 31 December 2006.
- Calyon manages a consolidated French credit institution, Ester Finance Titrisation, to which it had granted 92 million euros of guarantees at 31 December 2006.

At 31 December 2006, Calyon had granted 339.5 million euros in letters of credit and 2.07 billion euros in cash lines to SPEs that are neither consolidated nor managed by the Bank.

Securitisation transactions on own account

As part of its portfolio management strategy, Calyon carries out synthetic securitisation transactions to transfer the credit risk on some of its portfolios to the market.

In 2006, the Bank carried out 7 new securitisations in Europe and the USA for a total of 32.9 billion euros. These transactions formed part of efforts to manage outstanding risks in the financing business.

At 31 December 2006, there were 15 outstanding synthetic securitisation transactions maturing between 2007 and 2013, with a total nominal value of 56.6 billion euros.

Calyon had retained a total of 2,012 million euros in non-investment-grade risk, plus a residual share in the investment-grade tranches amounting to 744 million euros.

The loans concerned are kept on the bank's balance sheet, while most of the credit enhancement is recognised in financial instruments.

Other special purpose entities - Units in funds

Special purpose entities and funds are consolidated when the Group exercises control in substance.

The entities concerned appear in the list of consolidated companies in note 12 to the consolidated financial statements.

At 31 December 2006, Calyon fully consolidated 8 funds: Casam Systeia Global Macro, Casam Systeia Pair Trading, Casam Systeia Event Driven, Casam Systeia Equity Quant, Casam Systeia Futures Euro, Alcor, Mezzasia and Korea 21st Century Trust.

3.5 Investments in non-consolidated companies

In millions of euros	31.12.2006		31.12.2005	
	Net book value	% interest	Net book value	% interest
Attijari Wafa Bank (formerly Banque Commerciale du Maroc)	57	1.44	31	1.44
SIIC de Paris	12	2.00	20	5.02
Gestion Immobilière de Sites Industriels et Commerciaux (GISIC)	16	99.99	16	99.99
1301 Sixth Avenue	30	18.26	33	18.60
CA Preferred Funding LLC	49	2.00	53	2.00
CLCM Limited Partnership	13	99.90	16	99.00
Bolsas Y Mercados	56	2.20	23	ns
Immarex	30	100.00	28	100.00
GATX	17	ns	65	ns
BFO	138	99.71	135	99.71
CAI Risk Solutions Assurances	56	100.00	50	100.00
CAI Risk Solutions Insurances	16	100.00	17	100.00
Sicovam Holding	15	6.37	38	6.40
Indosuez W.I Carr Malaysia	11	100.00	11	100.00
Indosuez Beteiligungs und Verwaltungs	13	100.00	13	100.00
Banque Libano Française SAL	19	8.57	19	8.99
Chicago Board of Trade***			29	ns
New-York Mercantile Exchange***			24	ns
Pagson Holding CY	22	100.00		
Calyon Algérie	26	100.00		
Redcliffe Investment	11	100.00	14	100.00
FX Alliance	12	4.34		
Crédit Agricole Egypte SAE**	81	13.09		
Financière Saint Nicaise	10	16.70		
CL Rouse London**	38	100.00		
CPR BK**	337	100.00		
China Euro Securities Ltd*			18	33.33
Other shares	218		362	
NET BOOK VALUE	1,303		1,015	

* equity affiliates in 2006

** deconsolidated companies in 2006

*** reclassified under other available-for-sale securities in 2006

3.6 Goodwill

In millions of euros	31.12.2005	Additions (Acquisitions)	Decreases (Disposals)	Impairment losses during the period	Translation adjustments	Other movements	31.12.2006
Corporate and Investment							
Banking							
Calyon Egypt SAE S.A.	25		(25)				0
Crédit Agricole Cheuvreux S.A.	132						132
Crédit Lyonnais Securities Asia BV	116	93	(14)		(14)		181
Calyon (incl. transfer of Crédit Lyonnais activities)	682						682
CPR Online	9						9
International retail banking							
CA Suisse S.A.	292				(6)		286
Crédit Agricole Luxembourg	11					(1)	10
CA Brasil DTVM	2						2
Private Bank in Spain		3					3
Gross value	1,269	96	(39)		(20)	(1)	1,305
Calyon (incl. transfer of Crédit Lyonnais activities)	(55)						(55)
Accumulated impairment losses	(55)						(55)
Corporate and Investment							
Banking							
Calyon Egypt SAE	25		(25)				0
Crédit Agricole Cheuvreux S.A.	132						132
Crédit Lyonnais Securities Asia BV	116	93	(14)		(14)		181
Calyon (incl. transfer of Crédit Lyonnais activities)	627						627
CPR Online	9						9
International retail banking							
CA Suisse S.A.	292				(6)		286
Crédit Agricole Luxembourg	11					(1)	10
CA Brasil DTVM	2						2
Private Bank in Spain		3					3
Net book value	1,214	96	(39)		(20)	(1)	1,250

Over the 2006 financial year, goodwill was the subject of impairment tests, based on the assessment of the fair value or value in use of the Cash-Generating Units (CGUs) to which they are attached.

Fair value is the amount that could be obtained by selling a CGU through a transaction under normal market conditions. It is based on observed prices in recent transactions involving comparable entities or on multiples that are in line with valuation practices common in the CGU's market (e.g. a percentage of assets under management).

Value in use is determined by calculating the present value of the CGU's estimated future cash flows based on its medium-term plans. The following assumptions were used:

- estimated future cash flows: projections between 3 and 5 years,
- perpetual growth rate: rates range between 0% and 3.5% depending on the CGU,
- discount rate: rates range between 10.3% and 15% depending on the CGU.

These tests led to no impairment charge being recorded over the 2006 financial year.

We estimate that a reasonable change in the assumptions used to determine the recoverable value of CGUs would not require further goodwill provisions.

In millions of euros	01.01.2005	Additions (Acquisitions)	Decreases (Disposals)	Impairment losses during the period	Translation adjustments	Other movements	31.12.2005
Corporate and Investment Banking							
Calyon Egypt SAE	22	3					25
Crédit Agricole Cheuvreux S.A.	132						132
Crédit Lyonnais Securities Asia BV	61	56	(1)				116
Calyon (incl. transfer of Crédit Lyonnais activities)	682						682
CPR Online		9					9
International retail banking							
CA Suisse S.A.	104	190			(2)		292
Crédit Agricole Luxembourg	11						11
Gross value	1,012	258	(1)		(2)		1,267
Calyon (incl. transfer of Crédit Lyonnais activities)	(55)						(55)
Accumulated impairment losses	(55)						(55)
Corporate and Investment Banking							
Calyon Egypt SAE	22	3					25
Crédit Agricole Cheuvreux S.A.	132						132
Crédit Lyonnais Securities Asia BV	61	56	(1)				116
Calyon (incl. transfer of Crédit Lyonnais activities)	627						627
International retail banking							
CA Suisse S.A.	104	190			(2)		292
CPR Online		9					9
Crédit Agricole Luxembourg	11						11
Other		2					2
Net value	957	260	(1)	0	(2)	0	1,214

Note 4: Financial management, exposure to risk and hedging policy

Asset and liability management: structural financial risk and global interest rate risk

Structural financial risks

The Asset and Liability Committee defines the financial and asset-liability management policies of Calyon in close co-operation with Credit Agricole S.A. This committee is chaired by the Executive Committee member in charge of Finance, and comprises the Executive Committee members, the Chief Finance Officer, heads of the Structured Finance, Capital Markets and International segments, the heads of the Asset-Liability Management, Treasury and Credit Portfolio Management units, as well as a Finance representative from Credit Agricole S.A. and representatives of market risk control teams from Calyon and Crédit Agricole S.A.

This Committee meets once per quarter, and is the asset-liability decision-making body for all of Calyon. It intervenes either directly or, in asset-liability management areas that have been formally delegated to foreign branches and subsidiaries, in a general coordination and supervisory role.

The management of financial risks covers the monitoring and supervision of the Calyon group's structural and operational financial risks in France and abroad, excluding risks taken on trading floors. It includes the direct management of Calyon's equity and long-term positions, the consolidation of such positions taken at group level and special monitoring of entities specifically exposed to either interest-rate risk outside of capital markets activities or to liquidity risks incurred in their operations.

Global interest rate risk

Beyond the direct management of interest-rate positions related to long-term financing, periodic measurements enable monitoring of global interest-rate risk by identifying differences in the maturity and type of interest rates for balance sheet and off-balance sheet items in the form of mismatch schedules. Interest-rate risks other than in of market activities are managed within a limit delegated by Credit Agricole S.A.

The Group uses the gap method to measure its global interest-rate risk. This consists of determining maturity schedules and interest rates for all assets, liabilities and hedging derivatives at fixed, adjustable and inflation-linked interest rates: until the adjustment date for adjustable-rate items, until the contractual date for fixed-rate items and using model-based conventions for items without a contractual maturity.

Calyon's exposure to interest-rate risk in its customer transactions is limited through interest-rate matching carried out on customer assets by its market teams, and due to the low level of non-remunerated deposits.

Credit, market and operational risk management

Banking risk management within Calyon is organised by the Risk and Permanent Control Division (RPCD) which has the task of optimising the cost of risk for the various business lines, with regard to the policies developed in these lines. Calyon constantly adapts its risk management processes and practices to the development of the Bank's activities, new regulatory requirements and best practices in risk management.

The scope of risk control covers counterparty risk - including the monitoring of individual risks and a global portfolio approach including the management of country risk - along with market risks and operational risks.

The RPCD is also in charge of implementing the Basel II project for all of Calyon.

The Group's risk and permanent control organisation

Calyon's risk management was reorganised in 2006. This was due to the application of CRBF regulation 97-02 (as amended), which requires permanent control to be separated from periodic control (at the Control and Audit level). A Permanent Control Department was set up within the Risk Management and Control Department, which has been renamed the Risk and Permanent Control Division.

The Permanent Control Department now covers both internal control and operational risk management. It also supervises accounting control and IT risk management.

The organisation of risk and permanent control activities within Calyon is integrated into the Credit Agricole S.A. group's Risk and Permanent Control business line. Thus, risk management is delegated to Calyon under formally adopted subsidiarity and delegation principles. Within this framework, the RPCD regularly reports its major risks to Credit Agricole S.A.'s Group Risks Division, and has Credit Agricole S.A.'s Group Risks Committee approve those cases which exceed its delegated limits as well as substantial risk strategies at the Credit Agricole S.A. group level.

Within Calyon, the Risk and Permanent Control Division is a worldwide organisation with the following main characteristics:

- all risk management tasks and business lines, whatever their nature or location, are grouped together within the Division. The RPCD has six departments: Individual Counterparty Risks, Administration of Counterparty Risks, Country and Portfolio Risks, Market Risks (including development of methods for measuring market risk and counterparty risks on market transactions), Permanent Control and Operational Risks, and Projects and Corporate Secretariat.
- all of Calyon's local and regional RPCD managers within the international network report directly to the RPCD's managers at Head Office;
- Calyon's head of Risk and Permanent Control reports hierarchically to Credit Agricole S.A.'s head of Group Risk Management;
- Calyon's head of Risk and Permanent Control reports functionally to Calyon's Management Board and is a member of Calyon's Executive Committee;
- Governance is structured around the following decision-making bodies:
 - ✓ a Counterparty Risk Committee, which decides on individual risks (ad hoc approvals or annual line renewals), whatever the nature of the operation (on- or off-balance sheet, credit or market transaction);
 - ✓ a Market Risk Committee, which carries out strict supervision of positions taken for the Bank's own account and defines applicable limits;
 - ✓ a Strategy and Portfolio Committee, which studies and decides on the main development guidelines for each business line and each geographical unit; it also decides on the main risk limits used in the global portfolio, and periodically reviews their utilisation.

4.1 Credit Risk

A credit risk occurs when a counterparty is unable to honour its obligations and when the book value of these obligations in the bank's records is positive. The counterparty may be a bank, an industrial or commercial enterprise, a government and its various entities, an investment fund or a natural person.

The exposure may be a loan, debt security, deed of property, performance exchange contract, performance bond or unused confirmed commitment.

The risk also includes the settlement risk inherent in any transaction entailing an exchange of cash or physical goods outside a secure settlement system.

General principles of credit risk management

Any counterparty or group of counterparties is attributed limits intended to frame the amount of commitments, whatever the type of counterparty (corporate, sovereign, banks, financial institutions, local authorities, SPEs, etc.). The delegations vary according to the quality of the risk, assessed by an internal rating of the counterparty. The credit decision must enter within the formally approved risk strategies.

Second-level control of compliance with limits is made by the RPCD, supplemented by a process for monitoring individual risks and portfolio risks, notably in order to detect any possible deterioration in the quality of the counterparty and our commitments as far ahead as possible.

Where the risk is substantiated, a collective and specific impairment policy is put into effect.

Decision-making, monitoring and impairment :

Credit decisions:

New transactions are approved according to a decision-making process based on two front-office signatures, one by a commitment analysis unit, the other by a front-office manager as signing officer. The decision is supported by an independent opinion of the RPCD and must take Basel II parameters into account, notably the internal rating of the counterparty and the predictive Loss Given Default (LGD) attributed to the proposed transactions; a calculation of ex-ante profitability (RAROC) must also be included in the credit file. In the event that the RPCD's opinion is negative, the decision-making power is passed up to the chairman of the higher committee and, if necessary, all the way up to the Management Board via the Counterparty Risks Committee.

Monitoring of commitments:

First-degree controls on compliance with the conditions accompanying a credit decision are carried out by the front office. The RPCD is in charge of second-degree controls.

Monitoring of commitments is carried out for this purpose, and portfolio business is monitored constantly in order to identify assets that could deteriorate at an early stage. The aim is to carry out practical initiatives as early as possible so as to protect the Bank's interests.

The main methods used in this monitoring are:

- "Control Committees" which meet monthly to examine deviations and exceptions (arrears, excess drawings and breaches of limits, ongoing syndications, flawed legal documentation, review frequency etc.);
- monthly "Early Warning Committees" which endeavour, by various means, to identify early signs of potential deterioration in loans which are healthy but deemed sensitive, in order to reduce or cover the risk exposure;
- quarterly reviews of Major Risks regardless of the quality of borrowers concerned;
- a regular search for excessive concentrations with respect to the amount of economic capital employed and the amount of existing commitments, assessed according to several criteria pertaining to the individual borrower concerned (quality based on internal rating, size of the company, influence of its local environment).

These steps lead to:

- changes in internal ratings of counterparties which are, where necessary, classified as sensitive;
- practical decisions to reduce or cover commitments at risk;
- possible transfers of assets to the specialised recovery unit.

Monitoring of sensitive business and impairment:

"Sensitive items", whether debts on the watch list without default, or doubtful or bad debts, are managed on a daily basis within the entities, and enhanced surveillance is carried out on a quarterly basis:

- quarterly sensitive business review committees are held locally, in order to provide an update of the scope and changes in impairment for each entity. Central committees are also convened under the chairmanship of the RPCD, in order to proceed with a joint examination of the classification of these loans as Doubtful or Sensitive Business. The definition of default complies with the required Basel II definition;
- these committees propose specific impairment decisions which are then validated by the Management Board.

The method for calculating impairment was reviewed in 2004 in order to comply with IAS 39, both for specific and collective impairment.

Use of credit derivatives

As part of its portfolio management strategy, the Bank uses credit derivatives together with a series of risk transfer instruments including securitisations.

The purpose is to reduce concentration of exposure to corporate risk, diversify the portfolio and reduce loss levels.

Risks related to these transactions are monitored by the Market Risks Division with the help of indicators including VaR for all own-account liquid purchases and sales of protection.

Country risk

Country risk is the risk that economic, financial, political or social conditions in a foreign country will affect the bank's financial interests. It does not differ in nature from "elementary" risks (credit, market and operational risks). It constitutes a set of risks resulting from the bank's vulnerability to a specific political, macroeconomic and financial environment.

The system for assessing and monitoring country risk within Calyon is based on an internal rating model. Internal country ratings include criteria relating to economic solidity, the ability to pay, governance and political stability.

Annually-reviewed limits and risk strategies are applied to each country whose rating is below the threshold set by the Group's procedures.

The implementation of a reporting and regular review system has strengthened the increasingly sophisticated country risk supervision mechanism, on a portfolio basis, through greater use of quantitative tools.

This approach is supplemented by scenario analyses that aim to test the impact of unfavourable macroeconomic and financial assumptions, and will help develop an integrated view of the risks to which the bank could be exposed in situations of extreme pressure.

Concentrations by customer type

DUE FROM BANKS AND LOANS AND ADVANCES TO CUSTOMERS BY CUSTOMER TYPE

31.12.2006

In millions of euros	Gross	o/w doubtful debts	Impairment of doubtful debts	o/w bad debts	Impairment of bad debts	Total
Central government, government agencies and local authorities	3,743			101	(90)	3,653
Financial institutions	81,359	9	(3)	185	(184)	81,172
Personal and small business customers	3,505	24	(14)	117	(85)	3,406
Companies (including insurance companies) and other	73,140	347	(108)	1,276	(381)	72,651
TOTAL	161,747	380	(125)	1,679	(740)	160,882
Net accrued interest						1,704
Collective provisions						(1,125)
NET BOOK VALUE						161,461

31.12.2005

In millions of euros	Gross	o/w doubtful debts	Impairment of doubtful debts	o/w bad debts	Impairment of bad debts	Total
Central government, government agencies and local authorities	7,018	23	(14)	86	(72)	6,932
Financial institutions	56,338	240	(211)	100	(88)	56,039
Personal and small business customers	4,409	34	(11)	131	(131)	4,267
Companies (including insurance companies) and other	68,370	831	(316)	901	(547)	67,507
TOTAL	136,135	1,128	(552)	1,218	(838)	134,745
Net accrued interest						1,379
Collective provisions						(1,119)
NET BOOK VALUE						135,005

COMMITMENTS GIVEN TO CUSTOMERS BY CUSTOMER TYPE

In millions of euros	31.12.2006	31.12.2005
<u>Financing commitments to customers</u>		
Central government, government agencies and local authorities	4,917	4,578
Financial institutions	25,478	21,650
Personal and small business customers	3,914	4,501
Companies (including insurance companies) and other customers	59,351	56,099
TOTAL	93,660	86,828
<u>Guarantee commitments given to customers</u>		
Local authorities	179	159
Financial institutions	7,511	7,521
Personal and small business customers	922	786
Companies (including insurance companies) and other customers	26,934	22,007
TOTAL	35,546	30,473

CUSTOMER ACCOUNTS BY CUSTOMER TYPE

In millions of euros	31.12.2006	31.12.2005
Central government, government agencies and local authorities	6,501	8,826
Financial institutions	32,215	24,373
Personal and small business customers	18,334	16,081
Companies (including insurance companies) and other customers	26,709	22,180
Total	83,759	71,460
Accrued interest	276	205
NET BOOK VALUE	84,035	71,665

Concentration by geographical area

DUE FROM BANKS AND LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHICAL AREA

31.12.2006

In millions of euros	Gross	o/w doubtful debts	Impairment of doubtful debts	o/w bad debts	Impairment of bad debts	Total
France (including overseas departments & territories)	28,803	109	(50)	184	(92)	28,661
Other European Union countries	64,103	61	(23)	809	(111)	63,969
Rest of Europe	8,679	5		59	(59)	8,620
North America	24,727	155	(26)	137	(74)	24,627
Central & South America	8,008	31	(21)	168	(127)	7,860
Africa & Middle East	9,424	1		150	(138)	9,286
Asia and Pacific (excluding Japan)	12,864	11	(5)	170	(137)	12,722
Japan	5,139	7		2	(2)	5,137
TOTAL	161,747	380	(125)	1,679	(740)	160,882
Net accrued interest						1,704
Collective provisions						(1,125)
NET BOOK VALUE						161,461

31.12.2005

In millions of euros	Gross	o/w doubtful debts	Impairment of doubtful debts	o/w bad debts	Impairment of bad debts	Total
France (including overseas departments & territories)	31,629	209	(148)	126	(98)	31,383
Other European Union countries	40,311	230	(32)	257	(147)	40,132
Rest of Europe	7,766	140	(125)	142	(108)	7,533
North America	14,543	278	(75)	275	(139)	14,329
Central & South America	8,653	140	(104)	54	(29)	8,520
Africa & Middle East	9,961	80	(54)	254	(224)	9,683
Asia and Pacific (excluding Japan)	12,779	39	(14)	110	(93)	12,672
Japan	10,493	12				10,493
TOTAL	136,135	1,128	(552)	1,218	(838)	134,745
Net accrued interest						1,379
Collective provisions						(1,119)
NET BOOK VALUE						135,005

COMMITMENTS GIVEN TO CUSTOMERS BY GEOGRAPHICAL AREA

In millions of euros	31.12.2006	31.12.2005
<u>Financing commitments to customers</u>		
France (including overseas departments & territories)	30,449	26,972
Other European Union countries	22,822	21,037
Rest of Europe	4,626	4,459
North America	25,738	25,702
Central & South America	2,411	3,103
Africa & Middle East	2,464	2,098
Asia and Pacific (excluding Japan)	4,075	2,434
Japan	1,075	1,023
TOTAL	93,660	86,828
<u>Guarantee commitments given to customers</u>		
France (including overseas departments & territories)	11,367	10,439
Other European Union countries	8,815	6,540
Rest of Europe	1,595	2,261
North America	4,025	4,843
Central & South America	3,557	2,461
Africa & Middle East	1,306	1,166
Asia and Pacific (excluding Japan)	4,603	2,337
Japan	278	426
TOTAL	35,546	30,473

CUSTOMER ACCOUNTS BY GEOGRAPHICAL AREA

In millions of euros	31.12.2006	31.12.2005
France (including overseas departments & territories)	17,831	18,283
Other European Union countries	21,342	14,538
Rest of Europe	6,881	6,362
North America	8,783	8,622
Central & South America	4,966	3,173
Africa & Middle East	6,296	6,524
Asia and Pacific (excluding Japan)	10,870	7,969
Japan	6,790	5,989
TOTAL	83,759	71,460
Accrued interest	276	205
NET BOOK VALUE	84,035	71,665

DERIVATIVE FINANCIAL INSTRUMENTS

In millions of euros	31.12.2006		31.12.2005	
	Market value	Potential credit risk	Market value	Potential credit risk
Governments, OECD central banks and similar	783	508	797	490
OECD financial institutions and similar	85,180	75,836	99,170	55,466
Other counterparties	9,839	11,387	11,814	9,308
TOTAL	95,802	87,731	111,781	65,264
Risk on :				
- interest rate, exchange rate and commodities	81,671	75,216	100,960	54,599
- equity and index derivatives	14,131	12,515	10,821	10,664
Impact of netting agreements	82,141	53,250	95,914	40,603
TOTAL AFTER IMPACT OF NETTING AGREEMENTS	13,661	34,481	15,867	24,661

4.2 Market risk

Market risk is the risk of a negative impact on the income statement or balance sheet of adverse fluctuations in the value of financial instruments following changes in market parameters:

- interest rates: interest-rate risk is the risk of a change in the fair value of the a financial instrument or the future cash flows from a financial instrument due to a change in the interest rates;
- exchange rates: exchange-rate risk is the risk of a change in the fair value of a financial instrument due to a change in exchange rates;
- prices: price risk is the risk of a change in the price or volatility of equities, commodities, baskets of equities and share price indexes. The instruments most exposed to this risk are variable-income securities, equity derivatives and commodity derivatives.

Calyon has a well-developed system for controlling market risks, comprising an independent Risk Management Organisation, robust and consistent control and reporting procedures and a reliable and exhaustive assessment system.

Work undertaken to consolidate these parts of the system has led to the internal model being validated by the regulatory authorities across a most of Calyon's activities.

Scope

The system covers all market risks, which are defined as potential losses associated with variations in interest rates, exchange rates, the prices of shares, the prices of commodities and their volatility, as well as the quality of the issuers of the securities in question.

It applies mainly to the Bank's trading books.

Organisation

Decision-making and risk monitoring committees

The entire system falls under the authority of the Market Risk Committee.

This committee is chaired by the member of Calyon's Management Board in charge of supervising the Risk and Permanent Control Division, and meets twice a month. It monitors and analyses market risks and their evolution. It ensures compliance with supervision indicators, specific management rules and defined limits. It sets limits for the operational units within the overall limit fixed by the Strategy and Portfolio Committee.

This committee includes members of Calyon's Executive Committee, a representative of Credit Agricole S.A. Group Risks Division, heads of Market Risk Management and officers in charge of capital markets activities.

Minutes from these committee meetings are sent to Calyon's Chief Executive Officer, who is also informed about risks, strategies and projected movements as part of Strategy and Portfolio Committee meetings.

Finally, Internal Audit carries out regular audits to ensure compliance with the Group's internal control standards.

Risk control

Market risk control forms an independent global function within the Risk and Permanent Control Division:

At the global level, Risk Management monitors, controls and reports on market risks for all product lines. Its duties include:

- setting limits and ensuring compliance with them,
- analysing market portfolio risks on a permanent basis,
- validating risks and results,
- analysing and monitoring complex transactions.

Quantitative analysis :

- identifies and analyses market risks,
- validates valuation models,
- proposes provisions and valuation adjustments,
- proposes methods for assessing the model's parameters.

The Activity Monitoring Team is in charge of producing management results data and risk indicators for all activities subject to market risk limits. Its functions include:

- independently collecting market data,
- producing management results,
- producing risk indicators.

Cross-company teams supplement this system and have the tasks of ensuring international consolidation, reporting, defining the overall risk policy, ensuring the consistency of market parameters and monitoring the quality of the internal model.

Market risk measurement and management methodology

The management of market risks is based on several indicators that are used to devise overall or specific risk limits. These limits are intended to cover all risk factors.

Value at Risk (VaR)

VaR is the central plank of the risk-measurement system. The regulatory authorities' validation of the internal model supports the use of VaR in the operational monitoring of market risks.

- VaR is a measure of the potential loss that Calyon's portfolio could suffer in the event of adverse movements in market parameters over a one-day period and for a confidence interval of 99%, based on one year of historical data;
- Calyon's internal model is based on an historic VaR model, except in the case of commodities, for which a Monte Carlo model is applied.

Calyon has set an overall risk limit, expressed in VaR terms, for all its capital markets activities which stood at 35 million euros at 29 December 2006.

Stress scenarios

Since VaR does not reflect the potential impact of extreme market conditions, Calyon uses a set of stress scenarios, developed using three complementary approaches:

- historical scenarios, which replicate the impact of major past crises on the current portfolio,
- hypothetical scenarios, which anticipate likely shocks, modelled with the help of our economists,
- adverse scenarios, which anticipate unfavourable market movements in the light of Calyon's current positions.

These scenarios are adjusted to the risks existing in the various portfolios on which they are calculated.

Portfolios at all levels, from the most specific to the most general, are evaluated on a regular basis and on request. The results are presented to the Market Risk Committee.

Other indicators

VaR measurement is associated with a set of complementary and explanatory indicators, most of which are subject to limits:

- operational indicators allow risk controls to be honed. These indicators are calculated for each activity (issuer risk, authorised currencies, maximum terms), and include a system of loss alerts and stop losses;
- analytical indicators are used by Risk Management for explanatory purposes.

These market activities are managed through a system of market risk indicators accompanied by limits designed to cover all market risk factors, including market movements (fixed income, equities, forex), correlations and credit issues.

Control procedures

Limit monitoring

General product line limits are determined at group level, after which more specific limits are defined if necessary.

Risk Management monitors all limits on a daily basis, and reports any breaches to the appropriate levels of the group. Limit breaches and significant variations in results are reported to the Market Risk Committee.

Backtesting

Under the internal model, a daily loss should not exceed VaR more than two or three times per year.

Backtesting allows permanent comparisons between VaR and the daily results of product lines, calculated both on the basis of real positions and assuming unchanged positions. This allows the relevance of VaR measurements to be assessed. In 2006, there was only one exception to Calyon's global VaR: on one day, the previous day's loss estimate underestimated the actual loss.

Use of credit derivatives

Within the capital markets business, Calyon has developed a credit derivatives business encompassing trading, structuring and selling credit derivatives to its customers. The products handled range from simple products (credit default swaps), where the principal risk factor is credit spreads, through to more structured products that introduce other more complex risk factors (e.g. correlation).

Positions are measured at fair value with deductions for model and data uncertainties.

These activities are managed through a system of market risk indicators accompanied by limits designed to cover all risk factors. These indicators are:

- VaR (historical, 99%, daily, including credit spread and correlation risk);
- credit sensitivity;
- sensitivity to correlation;
- sensitivity to recovery rates;
- sensitivity to interest rates.

The system also includes stop loss limits and stress testing.

Independent teams belonging to the Risk and Permanent Control Division are responsible for valuation, calculating risk indicators, setting limits and validating models.

Derivative financial instruments: analysis by remaining maturity

Hedging - Fair value of assets

In millions of euros	31.12.2006						Total notional amount outstanding	31.12.2005	Total notional amount outstanding
	Exchange-traded			Over-the-counter					
	Under 1 year	1-5 years	Over 5 years	Under 1 year	1-5 years	Over 5 years			
Interest rate instruments :	2			117	33	16	168	247	
Futures	2						2		
Forward rate agreements									
Interest rate swaps				115	33	16	164		
Swaptions				1			1		
Caps, floors and collars									
Other options				1			1		
Currency and gold :				9			9	17	
Currency futures				6			6		
Currency options				3			3		
Other :					2		2		
Equity and index derivatives					2		2		
Precious metal derivatives									
Commodity derivatives									
Credit derivatives									
Other									
SUB-TOTAL	2			126	35	16	179	264	
Forward currency transactions				154	11		165	229	
NET BOOK VALUE	2			280	46	16	344	493	

Derivative financial instruments held for trading - Fair value of assets

In millions of euros	31.12.2006						Total notional amount outstanding	31.12.2005	Total notional amount outstanding
	Exchange-traded			Over-the-counter					
	Under 1 year	1-5 years	Over 5 years	Under 1 year	1-5 years	Over 5 years			
Interest rate instruments :	12			11,141	30,763	55,415	97,331	85,633	
Futures									
Forward rate agreements					2		2		
Interest rate swaps				10,650	27,568	41,435	79,653		
Swaptions				491	3,142	13,979	17,612		
Caps, floors and collars					38	1	39		
Other options	12				13		25		
Currency and gold :	126	186	398	2,666	5,720	5	9,101	9,016	
Currency futures	85			348	5,681	5	6,119		
Currency options	41	186	398	2,318	39		2,982		
Other :	18,061	5,525	445	1,017	16		25,064	14,737	
Equity and index derivatives	7,019	1,348	66	7			8,440		
Precious metal derivatives									
Commodity derivatives				1,009			1,009		
Credit derivatives					1		1		
Other	11,042	4,177	379	1	15		15,614		
SUB-TOTAL	18,199	5,711	843	14,824	36,499	55,420	131,496	109,386	
Forward currency transactions				162	111		273		
NET BOOK VALUE	18,199	5,711	843	14,986	36,610	55,420	131,769	109,386	

Hedging instruments - Fair value of liabilities

In millions of euros	31.12.2006							31.12.2005
	Exchange-traded			Over-the-counter			Total notional amount outstanding	Total notional amount outstanding
	Under 1 year	1-5 years	Over 5 years	Under 1 year	1-5 years	Over 5 years		
Interest rate instruments :				46	88	23	157	521
Futures								
Forward rate agreements								
Interest rate swaps				44	88	21	153	
Swaptions				1		2	3	
Caps, floors and collars								
Other options				1			1	
Currency and gold :				5	1		6	14
Currency futures				3	1		4	
Currency options				2			2	
Other :								
Equity and index derivatives								
Precious metal derivatives								
Commodity derivatives								
Credit derivatives								
Other								
SUB-TOTAL				51	89	23	163	535
Forward currency transactions				28	(3)		25	104
NET BOOK VALUE				79	86	23	188	639

Derivative financial instruments held for trading - Fair value of liabilities

In millions of euros	31.12.2006							31.12.2005
	Exchange-traded			Over-the-counter			Total notional amount outstanding	Total notional amount outstanding
	Under 1 year	1-5 years	Over 5 years	Under 1 year	1-5 years	Over 5 years		
Interest rate instruments :				9,556	32,496	54,749	96,801	87,733
Futures								
Forward rate agreements					1		1	
Interest rate swaps				8,758	28,055	39,944	76,757	
Swaptions				638	4,376	14,804	19,818	
Caps, floors and collars					59	1	60	
Other options				160	5		165	
Currency and gold :	85			2,882	5,224	82	8,273	8,387
Currency futures	85			335	5,185	5	5,610	
Currency options				2,547	39	77	2,663	
Other :	4,245	1,348	66	8,596	6,359	757	21,371	13,535
Equity and index derivatives	4,245	1,348	66	18			5,677	
Precious metal derivatives								
Commodity derivatives				533			533	
Credit derivatives				252			252	
Other				7,793	6,359	757	14,909	
SUB-TOTAL	4,330	1,348	66	21,034	44,079	55,588	126,445	109,655
Forward currency transactions				346			346	
NET BOOK VALUE	4,330	1,348	66	21,380	44,079	55,588	126,791	109,655

Structural currency risk

The Group's structural currency risk results from its other-than-temporary investments in assets denominated in foreign currencies, mainly the equity of its foreign operating entities, whether they result from acquisitions, transfers of funds from Head Office or the capitalisation of local earnings.

The Group's policy is usually to borrow funds in the investment currency in order to neutralise the investment's sensitivity to currency risk. These borrowings are documented as investment hedging instruments. In some cases, and for illiquid currencies in particular, the investment gives rise to a purchase of the local currency, and the resulting currency risk may be hedged through forward transactions.

Overall, the Group's policy for managing its structural currency positions has two main objectives:

- firstly, to protect the Group's solvency ratio against currency fluctuations; unhedged structural currency positions will be scaled so as to equal the proportion of risk-weighted assets denominated in the currencies concerned and unhedged by other types of equity in the same currency;
- secondly, to reduce the risk of a fall in asset value.

Hedging of structural currency risk is managed centrally and arranged following decisions by the Bank's Asset-Liability Management Committee.

Calyon's structural currency positions are also included with those of Crédit Agricole S.A., which are presented five times a year to its Asset-Liability Management Committee, chaired by its CEO.

Operational currency risk

The Bank is further exposed to operational currency positions on its income and expenses stated in foreign currencies, both at Head Office and in its foreign operations.

The Group's general policy is to limit net operational currency positions as far as possible by periodically hedging them, usually without prior hedging of earnings not yet generated except if they have a high probability and a high risk of impairment.

Rules and authorisations applicable to the management of operational positions are put in place by decision of the Asset-Liability Management Committee.

Analysis of the consolidated balance sheet by currency

In millions of euros	31.12.2006		31.12.2005	
	Assets	Equity and liabilities	Assets	Equity and liabilities
EUR	371,872	345,153	318,274	295,676
Other EU currencies	34,736	49,113	22,474	24,931
USD	120,591	139,914	92,646	117,390
JPY	22,019	24,008	25,535	18,924
Other currencies	38,952	29,982	22,387	24,395
TOTAL	588,170	588,170	481,316	481,316

Price risk

Price risk arises from variations in the price and volatility of equities, commodities, baskets of equities and share price indexes.

The following in particular are subject to this risk: floating-rate instruments, equity derivatives and commodity derivatives.

Calyon takes on exposure to price risk in its equity and commodity derivatives activities within its capital markets business, and in its brokerage activities within CA Cheuvreux, CLSA and Calyon Financial.

4.3 Liquidity and financing risk

Liquidity and financing risk is the risk of loss if a company is unable to meet its financial commitments in timely fashion and at reasonable prices when they reach maturity.

These commitments include obligations to depositors and suppliers, as well as commitments in respect of loans and investments.

Calyon, as a credit institution, complies with the liquidity requirements set out in the following texts:

- CRBF regulation 88-01 of 22 February 1988 relating to liquidity,
- French Banking Commission instruction 88-03 of 22 April 1988 relating to liquidity,
- French Banking Commission instruction 89-03 of 20 April 1989 relating to the conditions for including refinancing agreements in liquidity calculations.

Like all credit institutions, Calyon is exposed to the risk that it may not have the necessary funds to meet its commitments when they fall due. This may happen in the event of a general crisis of confidence or liquidity in the market.

Liquidity risk is managed in the following ways:

- Liquidity risk is measured by looking at applications and sources of funds based on their contractual or modelled maturity schedules. This approach shows amounts falling due in various periods, which vary over time. Short-term liquidity risk is measured by comparing schedules for assets to be repaid and liabilities falling due, and the Bank's transformation mismatch is also measured, notably at one and five years, by identifying the difference in amount between bank lending granted and long maturity securities held on the one hand, and financial resources available in the long term on the other.
- A suitable policy for matching applications and sources of funds, and for maintaining liquid assets.

In addition to the applicable regulatory ratios, Calyon's policy for managing its short-term and medium-term liquidity risk is set by its Asset-Liability Management Committee as part of the Crédit Agricole group's policy on this issue.

Short-term liquidity management is handled by the Bank's Treasury Department. It renews the necessary financing and manages suitable portfolios of liquid assets. It also sets rules and limits on the Bank's various global liquidity centres and ensures compliance with the applicable regulatory liquidity coefficient.

Calyon's medium- to long-term liquidity management is provided centrally by the Asset-Liability Management Department of the Finance Department. This management includes:

- defining internal transformation policies, rules and procedures, both on an overall basis for major currencies and on a specific basis for certain local currencies;
- determining medium- and long-term financing needs, as well as the needs of financial transactions concerning equity and long-term financing;
- carrying out transactions decided upon by the Asset-Liability Management Committee;
- monitoring the creditworthiness of Calyon.

The Financing Committee shared by the Treasury Department and the Finance Department's Asset-Liability Management unit also meets periodically to analyse developments in long-term resource requirements and in the market. It sets the financial terms of new transactions.

Other than liquidity arising from subordinated or perpetual debt, the greater part of Calyon's long-term liquidity resources comes from debt issues in various forms (certificates of deposit, BMTN, EMTN), customer deposits and interbank borrowings, some of which are entered into with Credit Agricole S.A.

Calyon makes extensive use of its Euro Medium Term Notes (EMTN) programmes: There is a programme governed by English law, for a maximum amount of 30 billion euros, and a programme governed by French law for a maximum amount of 4 billion euros.

Unless stated otherwise, issues carried out under these programmes for Calyon's international customers are "structured", meaning that the coupon paid and/or the amount redeemed on maturity comprises a component which is linked to one or more market indexes (equity, interest rate, currency or commodity indexes).

Similarly, certain issues are termed "Credit Linked Notes" meaning that the redemption is reduced in the event of default on the part of a third party who is contractually defined at the time of issue.

Finally, Calyon has put various types of subordinated debt into place, either in the form of borrowings or in the form of securities. As well as contributing to the Bank's solvency ratios, they help with its overall medium- and long-term financing.

Subordinated debt issues

The activity of any bank involves making constant changes to its liabilities with respect to movements in its capital uses. Subordinated debt therefore forms part of the continuous management of Calyon's liabilities and equity.

Redeemable subordinated notes

Considering the current operating structure of the Credit Agricole S.A. group, Calyon no longer issues redeemable subordinated notes ("TSR") but uses subordinated borrowings entered into with Credit Agricole S.A. These loans are generally at an adjustable rate with interest paid quarterly or annually.

The subordinated borrowings may be distinguished from ordinary loans and bonds due to the ranking of the debt contractually defined in the subordination clause. For borrowings obtained by Calyon, and in the event of liquidation, they will be reimbursed after secured and ordinary-ranking creditors have been paid, but before reimbursement of Calyon's participating securities and loans.

Super-subordinated notes

The super-subordinated notes issued by Calyon are fixed-rate or adjustable-rate perpetual borrowings, senior to ordinary shares but subordinated to all subordinated debt. The coupons are non-cumulative and subordinated to Calyon's annual net income which must be sufficient to remain positive after payment of the coupon due for the financial year in question.

Issues by Calyon provide for the possibility of early redemption by the issuer after the tenth anniversary of their being put into place, subject to the prior agreement of the Company Secretary of the Commission Bancaire. Depending on the issue, the interest rate may be increased after the first possible date for early redemption by the issuer.

To date, five issues of Super-Subordinated Notes have been made, three at a fixed rate and two at an adjustable rate. They were all underwritten by Credit Agricole S.A.

Breakdown of debt securities in issue and subordinated debt by currency

In millions of euros	31.12.2006			31.12.2005		
	Bonds	Fixed-term subordinated debt	Perpetual subordinated debt	Bonds	Fixed-term subordinated debt	Perpetual subordinated debt
EUR						
Fixed rate	333	1		406	106	26
Floating rate		1,967	31	316	866	31
USD						
Fixed rate		3			68	
Floating rate		2,094	1,989	2	913	2,140
JPY						
Fixed rate		64			71	
Floating rate						
Other currencies						
Fixed rate	248					
Floating rate	29			95		
TOTAL	610	4,129	2,020	819	2,024	2,197
Fixed rate	581	68	0	406	245	26
Floating rate	29	4,061	2,020	413	1,779	2,171

before the impact of hedging contracts

Due from banks and loans and advances to customers: analysis by remaining date

In millions of euros	31.12.2006					31.12.2005				
	Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total	Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Loans and advances to banks	44,555	5,224	5,780	3,004	58,563	32,890	5,844	5,404	2,252	46,390
Loans and advances to customers (including lease finance)	47,626	9,497	28,593	17,468	103,184	42,471	9,900	25,262	12,112	89,745
TOTAL	92,181	14,721	34,373	20,472	161,747	75,361	15,744	30,666	14,364	136,135
Accrued interest					1,949					1,688
Provisions					(2,235)					(2,818)
NET BOOK VALUE					161,461					135,005

Due to banks and customer accounts: analysis by remaining maturity

In millions of euros	31.12.2006					31.12.2005				
	Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total	Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Due to banks	68,072	5,478	1,805	1,472	76,827	42,232	15,087	14,299	307	71,925
Customer accounts	68,228	4,209	8,255	3,066	83,858	59,039	8,801	2,707	913	71,460
TOTAL	136,300	9,687	10,060	4,538	160,585	101,271	23,888	17,006	1,220	143,385
Accrued interest					2,260					1,192
BOOK VALUE					162,845					144,577

Debt securities in issue and subordinated debt

In millions of euros	31.12.2006					31.12.2005				
	Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total	Under 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
<u>Debt securities in issue</u>										
Interest-bearing notes	1		21	24	46		2	47	25	74
Negotiable debt securities :										
. Issued in France	12,201	395	3,105	3,429	19,130	3,889	1,883	1,359	1,966	9,097
. Issued in other countries	19,547	19,197	3,493	123	42,360	20,321	12,617	3,808	183	36,929
Bonds	260	190	144	16	610	89	406	308	16	819
Debt securities in issue			8		8					
TOTAL	32,009	19,782	6,771	3,592	62,154	24,299	14,908	5,522	2,190	46,919
Accrued interest					676					392
NET BOOK VALUE					62,830					47,311
<u>Subordinated debt</u>										
Fixed-term subordinated debt			589	3,540	4,129	99	1	944	980	2,024
Perpetual subordinated debt				2,020	2,020			26	2,171	2,197
TOTAL			589	5,560	6,149	99	1	970	3,151	4,221
Accrued interest					128					121
BOOK VALUE					6,277					4,342

4.4 Derivative hedging instruments

Fair value hedges

A fair value hedge is a hedge of the exposure to changes in the fair value of a fixed-rate financial instrument caused by changes in interest rates. Fair value hedges transform fixed-rate assets or liabilities into adjustable-rate assets or liabilities.

Items hedged are principally fixed-rate loans, securities, deposits and subordinated debt.

Fair value hedges include, notably, the hedging of fixed-rate subordinated debt, deposits, securities and loans.

Net investment hedges

Net investment hedges cover the currency risk inherent in holding net investments in foreign operations.

In the Calyon Group, foreign currency-denominated net investments in foreign subsidiaries and branches are generally hedged against currency risk by currency borrowings or currency derivatives.

Cash flow hedges

A cash flow hedge is a hedge of exposure to variability in cash flows arising from variable rate financial instruments.

Items hedged are principally variable-rate loans and deposits.

In the Calyon Group, cash flow hedging is essentially tied to the global management of interest-rate risk.

Derivative hedging instruments

In millions of euros	31.12.2006		31.12.2005	
	Positive market value	Negative market value	Positive market value	Negative market value
<u>Derivative hedging instruments</u>				
Micro-hedging	320	154	303	633
· fair value hedges	280	127	294	627
· cash flow hedges	40	27	9	6
· hedges of net foreign investment				
Macro-hedges (fair value)	23	33	186	6
Macro-hedges (cash flow)	1	1	4	
TOTAL	344	188	493	639

4.5 Operational risk

Operational risk is the risk of loss resulting from shortcomings in internal procedures or information systems, human error or external events that are not linked to a credit, market or liquidity risk.

In accordance with principles in force within the Credit Agricole S.A. group, Calyon's Permanent Control - Operational Risk division has set up a qualitative and quantitative system for identifying, evaluating, preventing and supervising operational risks in accordance with Basel II regulations.

This operational risk management system comprises the following five components:

- organisation of the operational risk management function: supervision of the system by the Management Board through the operational risk unit of Calyon's Internal Control Committee, the work done by the Risk and Permanent Control Division and by subsidiaries and business lines via a network of Operational Risk Managers;

- identification and qualitative evaluation of risks through risk mapping, along with indicators that allow monitoring of the most sensitive processes;
- notification of operational losses and reporting of alerts for significant incidents, with consolidation in a database allowing the measurement and monitoring of risk-related costs;
- calculation and allocation of economic capital with respect to operational risks;
- periodic reporting via operational risk scorecards.

The aim is that this system will be approved by the French Banking Commission as an "advanced measurement approach" (AMA) in 2007.

Operational risk management relies on a network of around 50 Operational Risk Managers, most of whom are also Permanent Control Correspondents, who cover all Group subsidiaries and business lines and are coordinated by the Risk and Permanent Control Division.

The system is monitored by internal control committees under the authority of each entity's management.

To enable operational risk-related costs to be measured and monitored, a unified loss notification and alert reporting procedure has been implemented across the entire scope of application.

The data required by the internal model for calculating the economic capital allocation, in accordance with the Basel II advanced method, have been integrated into a single database that provides five years of historical data. Calyon has thus been able to carry out initial simulations of capital calculations using the advanced method for the 2001-2005 period.

The operational risk mapping process, launched at the end of 2004 with the aim of covering Calyon's head office business lines and all of its international units and subsidiaries, has been completed. Annual updates will be carried out.

Finally, a quarterly operational risk scorecard is produced, highlighting key events and movements in costs related to these risks. These scorecards provide global confirmation of the main sources of risks, i.e. litigation, inadequate compliance with regulations and good commercial practices and process management (particularly relating to market operations). These sources of risks determine the priorities of preventative or corrective action plans (FIDES programme).

4.6 Insurance and risk coverage

Calyon has broad insurance coverage of its operating risks in accordance with guidelines set by its parent company, Credit Agricole S.A., with the aim of protecting its balance sheet and its income statement.

In line with the principle of harmonising policies regarding the transfer of personal and property risk to insurance companies, and the principle of setting up a differentiated insurance policy for each business line in terms of civil liability and fraud, Calyon is covered by all Group insurance policies set up by Credit Agricole S.A. with highly rated insurance companies (AIG, AXA, ACE, AGF, Chubb, GAN Eurocourtage, Zurich, etc.), for high intensity risks:

- fraud and "All Risks Securities" insurance,
- operating losses,
- professional liability,
- operating liability,
- liability of Directors and Corporate Officers,
- property damage (operational buildings and IT).

The latter programme only concerns France, while the other programmes apply on a worldwide level.

In addition, the business line subsidiaries manage their own smaller risks.

Small and common risks that cannot be insured in an economically satisfactory manner are kept as deductibles within Calyon or spread within the Credit Agricole S.A. Group by the Group's own reinsurance company.

This general framework may vary according to local regulations and specific requirements of countries in which the Calyon group operates. It is generally complemented by local insurance.

Continuity of operations

A global co-ordination and verification system is in place to ensure continuity of operations, and benefits from specific monitoring by the Management Board. Calyon assesses and improves its back-up systems on an ongoing basis. It carried out in-depth tests in 2006, both in France and worldwide, and covering all subsidiaries and branches.

Note 5: Notes to the income statement

5.1 Interest income and expense

In millions of euros	31.12.2006	31.12.2005
Loans and advances to banks	4,697	2,840
Loans and advances to customers	4,919	3,146
Accrued interest receivable on available-for-sale financial assets	822	700
Accrued interest receivable on hedging instruments	1,208	3,324
Lease finance	65	28
Other interest income	18	265
INTEREST INCOME	11,729	10,303
Deposits by banks	(6,184)	(4,141)
Customer accounts	(2,829)	(1,708)
Available-for-sale financial assets	(190)	(630)
Debt securities in issue	(2,779)	(2,083)
Subordinated debt	(289)	(207)
Accrued interest payable on hedging instruments	(1,374)	(1,472)
Lease finance	(44)	(6)
Other interest and similar expense		
INETEREST EXPENSE	(13,689)	(10,247)

5.2 Net fee and commission income

In millions of euros	31.12.2006			31.12.2005		
	Income	Expense	Net	Income	Expense	Net
Interbank transactions	29	(134)	(105)	41	(103)	(62)
Customer transactions	500	(27)	473	733	(287)	446
Securities transactions	1,159	(286)	873	592	(182)	410
Foreign exchange transactions	7	(20)	(13)	13	(13)	
Financial future and forward instruments and other off-balance sheet transactions (including brokerage)	863	(340)	523	614	(127)	487
Banking and financial services :						
* Net revenue from mutual fund management	11	(59)	(48)	239	(47)	192
* Net revenue from payment systems	84	(41)	43	53	(32)	21
* Other	520	(342)	178	677	(253)	424
NET FEE AND COMMISSION INCOME	3,173	(1,249)	1,924	2,962	(1,044)	1,918

5.3 Net gains (losses) on financial instruments at fair value through profit or loss

	31.12.2006	31.12.2005
In millions of euros		
Dividends received	126	
Unrealised or realised gains or losses on financial assets/liabilities at fair value through profit or loss	4,490	2,459
Profit or loss on currency transactions and similar financial instruments	771	8
Ineffective portion of fair value hedges	3	(15)
Ineffective portion of cash flow hedges		14
NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	5,390	2,466

5.4 Net gains (losses) on available-for-sale financial assets

	31.12.2006	31.12.2005
In millions of euros		
Dividends received	59	76
Realised gains or losses on available-for-sale financial assets	214	253
Impairment losses on variable-income securities	24	(41)
NET GAINS (LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	297	288

Gains on available-for-sale financial assets result mainly from dividends on variable-income securities (59 million euros) and disposal gains (214 million euros) realised mainly on sales of equities.

5.5 Net income and expenses related to other activities

	31.12.2006	31.12.2005
In millions of euros		
Net income from investment properties	86	
Other net income (expense)	125	210
NET INCOME (EXPENSE) FROM OTHER ACTIVITIES	211	210

5.6 General operating expenses

	31.12.2006	31.12.2005
In millions of euros		
Personnel costs	(2,435)	(2,025)
Taxes other than income or payroll-related	(42)	(48)
External services and other expenses	(991)	(984)
OPERATING EXPENSES	(3,468)	(3,057)

5.7 Depreciation, amortisation and impairment of property, plant and equipment and intangible assets

In millions of euros	31.12.2006	31.12.2005
Depreciation and amortisation	(107)	(111)
Impairment provisions	1	
TOTAL	(106)	(111)

This item covers depreciation, amortisation and impairment of intangible assets and property, plant and equipment assigned to the company's operations.

5.8 Risk-related costs

In millions of euros	31.12.2006	31.12.2005
Charge to provisions and impairment	(391)	(663)
Counterparty risks	(282)	(334)
Risks and expenses	(109)	(329)
Write-back of provisions and impairment	384	706
Counterparty risks	348	395
Risks and expenses	36	311
Net change in provisions and impairment	(7)	43
Bad debts written off - not provided for	(21)	(46)
Recoveries on bad debts written off	38	65
Other losses	(1)	25
RISK-RELATED COSTS	9	87

In 2006, there was a net release of 66 million euros from impairment reserves on loans and receivables (61 million euros in 2005). This figure breaks down as follows:

- 139 million euros of net releases relating to individual risks,
- 73 million euros of net additions to collective reserves.

General reserves, which represented a net charge of 73 million euros in 2006, mainly cover litigation and tax risks.

5.9 Net income on other assets

In millions of euros	31.12.2006	31.12.2005
Property, plant and equipment and intangible assets	0	1
Gains	1	7
Losses	(1)	(6)
Consolidated equity investments	5	202
Gains	35	282
Losses	(30)	(80)
NET GAINS (LOSSES) ON OTHER ASSETS	5	203

Most gains on other assets consisted of a disposal gain on Crédit Foncier de Monaco shares and deconsolidation or disposal gains on entities that left the scope of consolidation in 2006.

In 2005, the 203 million euro net gain resulted from disposals of consolidated entities, mainly within the Crédit Agricole S.A. group. These disposals were intended to complete the initiative to bring the Credit Agricole S.A. group's legal organisation into line with the managerial structure of its business lines.

5.10 Income tax

Tax charge

In millions of euros	31.12.2006	31.12.2005
Current tax charge	(652)	(252)
Deferred tax charge	32	(131)
TAX CHARGE FOR THE PERIOD	(620)	(383)

Reconciliation of theoretical tax rate and effective tax rate

	Base	Tax rate	Tax charge
Income before tax, goodwill impairment and share of net income of associates	2,302	34.43%	(793)
Impact of permanent timing differences		(2.48%)	(57)
Impact of different rates on foreign subsidiaries		3.69%	85
Impact of losses for the year, utilisation of tax loss carry forwards and temporary differences		8.64%	199
Effective tax rate and tax charge		(2.35%)	(54)
Impact of other items		26.91%	(620)

Note 6: Segment reporting

Definition of business segments

The naming of Calyon's business lines corresponds to the definitions applied within the Credit Agricole S.A. group.

Presentation of business lines

The Bank's activities are based around two predominant business segments: financing on the one hand, and capital markets and investment banking on the other. Together, these represent virtually all of Credit Agricole S.A.'s corporate and investment banking business.

The financing activities encompass syndication, commercial banking in France and internationally, and structured financing: project, aircraft, shipping, acquisition, real estate, trade, export and structured commodities finance.

The capital markets and investment banking business encompasses the capital markets activities (treasury, foreign exchange, commodities, interest-rate derivatives, debt markets, credit markets and CDOs, and equity derivatives), the investment banking activities (mergers and acquisitions and equity capital market), as well as equity and futures brokerage activities carried out by CA Cheuvreux, CLSA and Calyon Financial.

Calyon is also present in international private banking through its establishments in Switzerland, Luxembourg, Monaco, Spain and Brazil.

6.1 Analysis by business line

In millions of euros	31.12.2006					Total
	Financing	Capital markets and investment banking	Total Corporate and investment banking	International Private Banking	Proprietary asset management & other activities	
Net banking income	2,091	3,306	5,397	474	(9)	5,862
Operating expenses	(843)	(2,406)	(3,249)	(322)	(3)	(3,574)
Gross operating income	1,248	900	2,148	152	(12)	2,288
Risk-related costs	5		5	4		9
Share of net income of affiliates	158	1	159	7		166
Net gains or losses on other assets	(5)		(5)	20	(10)	5
Pre-tax income	1,406	901	2,307	183	(22)	2,468
Corporate income tax	(337)	(243)	(580)	(42)	2	(620)
NET INCOME	1,069	658	1,727	141	(20)	1,848
Minority interest	(38)	(28)	(66)	(11)		(77)
NET INCOME - GROUP SHARE	1,031	630	1,661	130	(20)	1,771
Business line assets :						
- of which investments in affiliates			637	31		668
- of which goodwill arising during the period			38	(2)		36
TOTAL ASSETS			582,438	5,732		588,170
ALLOCATED CAPITAL at 31 December 2006			8,100	150		8,250

31.12.2005							
In millions of euros	Financing	Capital markets and investment banking	Total Corporate and investment banking	International Private Banking	International retail banking	Proprietary asset management & other activities	Total
Net banking income	1,778	2,556	4,334	415	175	14	4,938
Operating expenses	(753)	(1,972)	(2,725)	(315)	(109)	(19)	(3,168)
Gross operating income (before integration-related costs)	1,025	584	1,609	100	66	(5)	1,770
Risk-related costs	(12)	(7)	(19)	7	(9)	108	87
Share of net income of affiliates	120		120	5			125
Net gains or losses on other assets	(6)	20	14	1		188	203
Integration-related costs						(86)	(86)
Pre-tax income	1,127	597	1,724	113	57	205	2,099
Corporate income tax	(252)	(146)	(398)	(27)	(14)	56	(383)
NET INCOME	875	451	1,326	86	43	261	1,716
Minority interest	(39)	(20)	(59)	(8)	(17)		(84)
NET INCOME - GROUP SHARE	836	431	1,267	78	26	261	1,632
Business line assets :							
- of which investments in affiliates			499	25			524
- of which goodwill arising during the period			69	188			257
TOTAL ASSETS			472,444	8,872			481,316
ALLOCATED CAPITAL at 31 December 2005			8,000	176			8,176

Each segment's assets are determined on the basis of balance sheet accounting items for each business line.

Each segment's liabilities, equivalent to allocated shareholders' equity, are determined using a normalised calculation of capital allocation by business line.

The allocation of Calyon's capital to each business line is based on regulatory prudential ratio requirements.

The allocated capital represents 6% of risk-weighted assets as defined for the international solvency ratio.

The capital requirements thus calculated are incremented by 50% of the value of shares in equity affiliates.

6.2 Geographical analysis of business line information

The geographical analysis of business line assets and results is based on the places where operations are booked for accounting purposes.

In millions of euros	31.12.2006		31.12.2005	
	Net banking income	Business line assets	Net banking income	Business line assets
France (including overseas departments & territories)	2,283	431,474	1,893	351,204
Other European Union countries	1,191	38,906	449	14,734
Rest of Europe	418	27,543	935	35,378
North America	933	39,254	747	32,102
Central & South America	19	215	13	179
Africa & Middle East	84	4,767	236	4,565
Asia and Pacific (excluding Japan)	772	32,219	568	21,162
Japan	162	13,792	97	21,992
Total	5,862	588,170	4,938	481,316

Note 7 Notes to the balance sheet at 31 December 2006

7.1 Cash, due from central banks and French postal system

In millions of euros	31.12.2006		31.12.2005	
	Assets	Liabilities	Assets	Liabilities
Cash	28		29	
Due to central banks, French postal system	1,759	80	4,861	457
TOTAL	1,787	80	4,890	457

7.2 Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss

In millions of euros	31.12.2006	31.12.2005
Financial assets held for trading	359,497	288,285
Financial assets designated as at fair value	38	17
FAIR VALUE ON BALANCE SHEET	359,535	288,302
Of which lent securities	4,729	2,735

Financial assets held for trading

In millions of euros	31.12.2006	31.12.2005
Due from banks		34
Loans and advances to customers		86
Pledged securities		0
Securities bought under repurchase agreements	99,057	87,466
Securities held for trading	128,671	91,313
- Treasury bills and similar items	27,568	21,851
- Bonds and other fixed-income securities (1)		
* Listed securities	59,137	36,734
* Unlisted securities	7,369	182
- Equities and other variable-income securities		
* Listed securities	34,487	32,475
* Unlisted securities	110	71
Derivative financial instruments	131,769	109,386
FAIR VALUE ON BALANCE SHEET	359,497	288,285

(1) Including mutual funds.

Financial assets designated as at fair value

	31.12.2006	31.12.2005
In millions of euros		
Securities held for trading		
- Equities and other variable-income securities		
* Listed securities		
* Unlisted securities	38	17
FAIR VALUE ON BALANCE SHEET	38	17

Financial liabilities held for trading

	31.12.2006	31.12.2005
In millions of euros		
Securities sold short	38,040	29,317
Pledged securities		
Securities sold under repurchase agreements	110,087	81,320
Debt securities in issue	28,073	19,095
Accounts due to customers		6
Amounts due to banks		
Derivative financial instruments	126,791	109,655
FAIR VALUE ON BALANCE SHEET	302,991	239,393

7.3 Derivative hedging instruments

Detailed information is provided in note 4.4. on cash flow and fair value hedging, particularly for interest rates and exchange rates.

7.4 Financial assets available-for-sale

	31.12.2006	31.12.2005
In millions of euros		
Securities measured at fair value		
Treasury bills and similar items	12,376	11,498
Bonds and other fixed-income securities (1)		
* Listed securities	9,567	5,834
* Unlisted securities	435	1,332
Equities and other variable-income securities		
* Listed securities	647	1,586
* Unlisted securities	1,366	2,897
TOTAL AVAILABLE-FOR-SALE SECURITIES	24,391	23,147
TOTAL AVAILABLE-FOR-SALE RECEIVABLES	3	
ACCRUED INTEREST	157	
FAIR VALUE ON BALANCE SHEET (2)	24,551	23,147

⁽¹⁾ including 786 million euros of impairment on securities and receivables in 2006
including 615 million euros of impairment on securities and receivables in 2005

Unrealised gains and losses on available-for-sale financial assets

In millions of euros	31.12.2006			31.12.2005		
	Fair value	Unrealised gains	Unrealised losses	Fair value	Unrealised gains	Unrealised losses
Treasury bills and similar items	12,376	2	1	11,498	3	3
Bonds and other fixed-income securities	10,002	42		7,166	97	33
Equities and other variable-income securities	710	223		3,468	28	10
Non-consolidated investments	1,303	269	35	1,015	284	72
Available-for-sale receivables	3					3
Accrued interest	157					
Fair value on balance sheet	24,551	536	36	23,147	412	121
Deferred tax		(103)			(38)	(3)
TOTAL UNREALISED GAINS AND LOSSES NET OF TAX	24,551	433	36	23,147	374	118

7.5 Due from banks and loans and advances to customers

Due from banks

In millions of euros	31.12.2006	31.12.2005
<u>Due from banks</u>		
Loans and advances	28,603	31,447
Pledged securities	20	111
Securities bought under repurchase agreements	29,870	14,737
Subordinated loans	4	50
Securities not traded in an active market	56	45
Other loans and interest	9	
TOTAL	58,562	46,390
Accrued interest	1,153	961
Impairment	(196)	(266)
NET BOOK VALUE	59,519	47,085

Loans and advances to customers

In millions of euros	31.12.2006	31.12.2005
Customer items		
Bills discounted	8,264	8,260
Other loans	74,045	70,518
Securities bought under repurchase agreements	12,876	3,780
Subordinated loans	440	231
Securities not traded in an active market	2,624	2,503
Short-term advances		33
Current accounts in debit	4,463	3,916
TOTAL	102,712	89,241
Accrued interest	793	726
Impairment	(2,039)	(2,552)
Net book value	101,466	87,415
Lease finance		
Property leasing	472	503
Equipment leasing, rental contracts with purchase option and similar transactions	1	1
TOTAL	473	504
Accrued interest	3	2
Impairment		(1)
Net book value	476	505
TOTAL	101,942	87,920

7.6 Impairment deducted from assets

In millions of euros	01.01.2006	Changes in scope	Charges	Amount used and write-backs	Translation adjustments	Other movements	31.12.2006
Interbank loans	266	2	3	(63)		(12)	196
Customer loans	2,552	(46)	330	(611)	(139)	(47)	2,039
of which collective provisions	1,119		73		(67)		1,125
Lease finance	1			(1)			
Held-to-maturity securities							
Other assets	18		51	(9)		71	131
TOTAL	2,837	(44)	384	(684)	(93)	(34)	2,366
On available-for-sale assets	612	240	44	(91)	(19)		786
TOTAL ASSET PROVISIONS	3,449	196	428	(775)	(112)	(34)	3,152

In millions of euros	01.01.2005	Changes in scope	Charges	Amount used and write-backs	Translation adjustments	Other movements	31.12.2005
Interbank loans	172	27	58	(66)	13	62	266
Customer loans	3,106	(145)	428	(1,065)	226	2	2,552
of which collective provisions	1,090	12		(71)	88		1,119
Lease finance	1						1
Held-to-maturity securities							
Other assets	33	(2)	7	(22)	2		18
TOTAL	3,312	(120)	493	(1,153)	241	64	2,837

7.7 Due to banks and customer accounts

Due to banks

In millions of euros	31.12.2006	31.12.2005
Deposits	59,298	56,642
Pledged securities	347	4
Securities sold under repurchase agreements	17,180	15,279
TOTAL	76,825	71,925
Accrued interest	1,985	987
NET BOOK VALUE	78,810	72,912

Customer accounts

In millions of euros	31.12.2006	31.12.2005
Current accounts in credit	19,823	28,143
Other customer accounts	60,736	40,006
Securities sold under repurchase agreements	3,200	3,311
TOTAL	83,759	71,460
Accrued interest	276	205
NET BOOK VALUE	84,035	71,665

7.8 Held-to-maturity financial assets

Calyon does not have a portfolio of held-to-maturity financial assets.

7.9 Debt securities in issue and subordinated debt

In millions of euros	31.12.2006	31.12.2005
Debt securities in issue		
Interest-bearing notes	46	74
Negotiable debt securities :		
. Issued in France	19,130	9,097
. Issued in other countries	42,360	36,929
Bonds	610	819
Debt securities in issue	8	
TOTAL	62,154	46,919
Accrued interest	676	392
BOOK VALUE	62,830	47,311
Subordinated debt		
Fixed-term subordinated debt	4,129	2,024
Perpetual subordinated debt	2,020	2,197
TOTAL	6,149	4,221
Accrued interest	128	121
BOOK VALUE	6,277	4,342

7.10 Deferred tax assets and liabilities

Deferred tax liabilities

In millions of euros	31.12.2006	31.12.2005
Assets available-for-sale	(100)	(81)
Cash flow hedges	1	(54)
Other timing differences	(46)	(36)
Other deferred tax liabilities	(46)	(45)
TOTAL DEFERRED TAX LIABILITIES	(191)	(216)

Deferred tax assets

In millions of euros	31.12.2006	31.12.2005
Non-deductible reserves	404	250
Non-deductible accrued expenses	146	117
Cash flow hedges	23	
Other deferred tax assets	170	344
TOTAL DEFERRED TAX ASSETS	743	711

7.11 Accruals, prepayments and sundry assets and liabilities

Prepayments, accrued income and sundry assets

In millions of euros	31.12.2006	31.12.2005
Sundry assets	24,231	14,320
Inventory accounts and miscellaneous		6
Miscellaneous debtors	19,598	9,857
Settlement accounts	4,633	4,457
Prepayments and accrued income	12,822	11,834
Items in course of transmission to other banks	3,464	2,424
Adjustment and suspense accounts	7,976	6,502
Accrued income	1,133	1,802
Prepayments	152	89
Other	97	1,017
NET BOOK VALUE	37,053	26,154

Accruals, deferred income and sundry liabilities

In millions of euros	31.12.2006	31.12.2005
Sundry liabilities ⁽¹⁾	22,993	17,515
Settlement accounts	5,218	5,102
Miscellaneous creditors	17,775	12,367
Liabilities related to trading securities		20
Other		26
Accruals and deferred income	15,182	13,348
Items in course of transmission to other banks ⁽²⁾	4,154	5,252
Adjustment and suspense accounts	7,700	5,143
Deferred income	865	1,047
Accrued expenses	2,327	1,906
Other	136	
NET BOOK VALUE	38,175	30,863

⁽¹⁾ Amounts are stated inclusive of accrued interest.

⁽²⁾ Amounts are stated net

7.12 Fixed assets held-for-sale and associated liabilities

In millions of euros	31.12.2006	31.12.2005
Fixed assets held for sale		2
Liabilities associated with assets held for sale		

7.13 Investments in equity affiliates

Details are given in the "scope of consolidation" section in note 3.3.

7.14 Investment property

In millions of euros	01.01.2006	Changes in scope	Increases (acquisitions)	Decreases (redemption and disposals)	Translation adjustments	Other movements	31.12.2006
Gross value	322	(7)	5	(169)	(8)	(109)	34
Depreciation and impairment	(122)	7	(6)	13	6	84	(18)
NET BOOK VALUE	200	0	(1)	(156)	(2)	(25)	16

In millions of euros	01.01.2005	Changes in scope	Increases (acquisitions)	Decreases (redemption and disposals)	Translation adjustments	Other movements	31.12.2005
Gross value	341	(23)	47	(33)	17	(27)	322
Depreciation and impairment	(165)	16	(12)	21	(13)	31	(122)
NET BOOK VALUE	176	(7)	35	(12)	4	4	200

7.15 Property, plant and equipment and intangible assets (excluding goodwill)

In millions of euros	01.01.2006	Changes in scope	Increases (acquisitions, business combinations)	Decreases (redemption and disposals)	Translation adjustments	Other movements	31.12.2006
Property, plant and equipment							
Gross value	1,120	(2)	109	(73)	(31)	107	1,230
Accrued interest ⁽¹⁾							
Depreciation and impairment	(504)		(89)	66	18	(75)	(584)
NET BOOK VALUE	616	(2)	20	(7)	(13)	32	646
Intangible assets							
Gross value	228	11	32	(12)	(4)	1	256
Depreciation and impairment	(171)		(18)	12	4	(1)	(174)
NET BOOK VALUE	57	11	14	0	0	0	82

⁽¹⁾ Accrued rents on assets let to third parties.

In millions of euros	01.01.2005	Changes in scope	Increases (acquisitions, business combinations)	Decreases (redemption and disposals)	Translation adjustments	Other movements	31.12.2005
Property, plant and equipment							
Gross value	1,233	(71)	86	(189)	20	41	1,120
Accrued interest ⁽¹⁾							
Depreciation and impairment	(611)	91	(84)	143	(15)	(28)	(504)
NET BOOK VALUE	622	20	2	(46)	5	13	616
Intangible assets							
Gross value	286	(43)	24	(61)	7	15	228
Depreciation and impairment	(215)	30	(21)	63	(4)	(24)	(171)
NET BOOK VALUE	71	(13)	3	2	3	(9)	57

⁽¹⁾ Accrued rents on assets let to third parties.

7.16 Goodwill

Details are given in the "scope of consolidation" section in note 3.6.

7.17 Reserves

In millions of euros	01.01.2006	Changes in scope	Charges	Write-backs, amount used	Write-backs, amount released	Other movements	Translations adjustments	31.12.2006
Financing commitment execution risks	44		9		(28)	2	(1)	26
Operational risks	6					(6)		
Employee retirement and similar benefits	257		48	(10)	(8)	22	(4)	305
Litigation	544	(9)	144	(62)	(55)	(81)	(3)	478
Equity investments	6					(6)		
Restructuring	16					(16)		
Synergy-related costs	40					(40)		
Other risks and expenses	256	(4)	10	(35)	(44)	(68)	(4)	111
RESERVES	1,169	(13)	211	(107)	(135)	(193)	(12)	920

At 31 December 2006, reserves for employment-related liabilities and similar reflect the impact of regulatory changes to pension liabilities in France (following the amendment to the Fillon act) and the UK (following the updating and harmonisation of mortality tables), and increased by 48 million euros.

The 478 million euros of litigation reserves break down as follows:

- tax disputes: 80 million euros
- employment-related disputes: 3 million euros
- legal disputes: 395 million euros

7.18 Shareholders' equity

Ownership structure at 31 December 2006

Calyon (parent-company) has share capital of 3,435,953,121 euros. It is divided into 127,257,523 shares with a par value of 27 euros each, fully paid-up.

No shares are held by Calyon (parent-company) or by any of its subsidiaries.

To the best of the company's knowledge, there is no shareholders' agreement.

At 31 December 2006, ownership of Calyon (parent-company)'s capital and voting rights was as follows:

Shareholder	Number of shares 31.12.2006	% of share capital	% of voting rights
Crédit Agricole S.A.	121,246,753	95.28	95.28
SACAM Développement **	2,838,193	2.23	2.23
C.A. Bourse *	2,623,011	2.06	2.06
Delfinances *	504,652	0.40	0.40
CPR G *	44,897	0.04	0.04
Individuals	17		
Total	127,257,523	100.00	100.00

* Held by the Crédit Agricole S.A. group.

** Held by the Crédit Agricole group.

Preferred shares

Issuer list	Date of issue	Amount of issue in millions of dollars	31.12.2006 in millions of euros	31.12.2005 in millions of euros
Calyon Preferred Funding LLC	dec-98	230	175	195
Calyon Preferred Funding II LLC	june-02	320	243	272
Total		550	418	467

Earnings per share

	31.12.2006	31.12.2005
Net income used to calculate earnings per share (in millions of euros)	1,771	1,632
Average number of ordinary shares in issue during the year	121,402,307	115,547,092
Number of potentially dilutive shares	0	0
Weighted average number of ordinary shares used to calculate fully diluted earnings per share	121,402,307	115,547,092
BASIC EARNINGS PER SHARE	14.59	14.13
DILUTED EARNINGS PER SHARE	14.59	14.13

Dividends

Calyon's Board of Directors has proposed a net dividend of 16.10 euros per share with respect to 2006, subject to shareholders' approval in the general meeting of shareholders.

Dividend paid in respect of year	Net amount in millions of euros
2004	250
2005	1,551
2006	2,049

Appropriation of net income and proposed dividend for 2006

The appropriation of net income and the fixing of the dividend for 2006 are proposed in the draft resolutions presented by the Board of Directors to Calyon's general meeting of shareholders to be held on 14 May 2007.

The proposed resolution is drafted as follows:

The General Meeting determines that the net income for the 2006 financial year amounts to 1,530,909,518.89 euros.

Pursuant to article L. 232-10 paragraph 1 of the French Commercial Code, the General Meeting decides to appropriate 76,545,475.94 euros to the statutory reserve, thereby increasing said reserve to an amount of 292,980,726.16 euros, corresponding to 8.53% of the registered capital.

Noting that the Company is free from all other reserve obligations and that the income available for distribution is 1,785,702,485.72 euros after taking into account retained earnings of 331,338,442.77, the General Meeting decides to distribute:

- all income available for distribution, i.e. 1,785,702,485.72 euros and
- 263,143,634.58 from the available "share premium" reserve,

making a total of 2,048,846,120.30 euros.

As a result, the General Meeting sets a dividend of 16.10 euros with respect to the period ended 31 December 2006 for each share entitled to this dividend, i.e. 127,257,523 shares.

This dividend is eligible for the 40% tax allowance provided for in article 158/3/2 of the General Tax Code, for the benefit only of shareholders who are natural persons.

The General Meeting fixes the date for payment of the dividend at 6 June 2007.

In accordance with the law, the General Meeting formally takes note of the amounts of dividends paid for the last three financial years:

Financial year	Number of shares receiving dividends	Net dividend per share (in euros)	French tax already paid (in euros)	Total (in euros)
2003	42,179,533	10.25	5,125*	15,375
2004	115,547,092	2.16**		
2005	115,547,092	13.42***		

* Only for those shares which are not held by companies belonging to Credit Agricole S.A.'s tax consolidation group.

** Dividend eligible for the 50% tax allowance provided for in article 158/3/2 of the General Tax Code, solely for shareholders who are natural persons.

*** Dividend eligible for the 40% tax allowance provided for in article 158/3/2 of the General Tax Code, solely for shareholders who are natural persons.

Note 8 Employee benefits and other compensation

8.1 Personnel costs

Analysis of personnel costs	31.12.2006	31.12.2005
In millions of euros		
Salaries	(1,845)	(1,600)
Other social security expenses	(474)	(330)
Incentive schemes and profit-sharing	(52)	(39)
Payroll-related tax	(64)	(56)
TOTAL PERSONNEL COSTS	(2,435)	(2,025)

8.2 Average number of employees

	2006	2005
France	4,474	4,813
Outside France	8,627	11,553
TOTAL	13,101	16,366

8.3 Post-employment benefits, defined contribution plans

There are various compulsory retirement plans to which employers must contribute. The funds are managed by independent organisations and the employers have no legal or implied obligation to pay additional contributions should the funds not have sufficient assets to pay the benefits corresponding to current and past service rendered by employees. Consequently, Calyon has no liability in this respect other than the contributions payable.

Within Calyon, there are several compulsory defined contribution plans, the main ones being Agirc/Arrco, which are French supplementary retirement plans, supplemented by an "Article 83"-type plan.

8.4 Post-employment obligations, defined benefit plans

CHANGE IN ACTUARIAL LIABILITY	31.12.2006	31.12.2005
Actuarial liability at 31/12 / N-1	774	720
Current service cost	30	26
Interest cost	34	31
Employee contributions	7	7
Plan revision / curtailment / settlement	9	(12)
Acquisition, divestments (change in scope of consolidation)		1
Early retirement allowances	1	
Benefits paid (obligatory)	(29)	(16)
Actuarial gains(losses)	27	31
ACTUARIAL LIABILITY AT 31/12/N	853	788

The difference between the closing figure in 2005 and the opening figure in 2006 is due in particular to changes in scope.

BREAKDOWN OF NET CHARGE RECOGNISED IN THE INCOME STATEMENT	31.12.2006	31.12.2005
Current service cost	30	26
Interest cost	34	31
Expected return on assets during the period	(29)	(6)
Amortisation of past-service costs	2	
Amortisation of actuarial gains (losses)	13	16
Gains (losses) on plan curtailment / settlement	5	(6)
NET CHARGE RECOGNISED IN THE INCOME STATEMENT	55	61

FAIR VALUE OF PLAN ASSETS AND REIMBURSEMENT RIGHTS	31.12.2006	31.12.2005
Fair value of assets / reimbursement rights at 31/12/N-1	540	470
Expected return on assets	29	15
Actuarial gains (losses) on plan assets	23	15
Employer contributions	25	44
Employee contributions	8	7
Plan revision / curtailment / settlement		
Acquisition, divestments (change in scope of consolidation)	1	1
Early retirement allowances		
Benefits paid	(27)	(12)
FAIR VALUE OF ASSETS / REIMBURSEMENT RIGHTS AT 31/12/N	599	540

NET POSITION	31.12.2006	31.12.2005
Closing actuarial liability	853	788
Closing actuarial liability	853	788
Closing fair value of assets / reimbursement rights	599	540
CLOSING NET POSITION (LIABILITY) ASSET	254	248

The net position is hedged by a reserve for employee liabilities.

INFORMATION ON ANNUALISED RETURN ON PLAN ASSETS (1)	2006	2005
Breakdown of assets		
- % bonds	74%	74%
- % equities	16%	16%
- % other	10%	10%

DEFINED BENEFITS PLANS/ KEY ACTUARIAL ASSUMPTIONS ⁽¹⁾	2006	2005
Discounting rate ⁽²⁾	2.25% to 4.25%	2.5% to 4.09%
Expected rate of return on plan assets and reimbursement rights	4%	4%
Expected salary increases	2.65% to 3.55%	2,50%
Increase in healthcare costs	4%	4%
Other (detail)		n/a

(1) Calculated on the basis of the assets of Calyon (parent-company) in France.

(2) Calculated on the basis of the discount rates defined by the Group and on the residual term of the commitments.

8.5 Other employee benefits

Calyon gives its employees an interest in its development and in its results via a number of mechanisms.

Under the profit-sharing agreement, the special reserve is calculated according to the statutory formula as of 2005, pursuant to article L.442-2 of the Employment Code. It is shared among beneficiaries in proportion to their gross salary subject to statutory caps.

An incentive agreement was concluded for the 2004, 2005 and 2006 financial years in order to give employees an interest in the improvement in Calyon's gross profitability and overall performance, excluding the impact of extraordinary elements.

The amounts distributed in the last five years have been as follows:
(In millions of euros)

Financial year	Year of payment	Profit-sharing scheme (in millions of euros)	Incentive scheme (in millions of euros)
2005	2006		37.1
2004	2005	29.1	
2003	2004	23.4	10.0
2002	2003	10.7	
2001	2002	12.9	4.1

Calyon also has an employee savings plan which completes the above systems.

Moreover, Calyon pays out long-service bonuses associated with the awarding of workers' medals.

8.6 Share-based payments

No stock options relating to shares in Calyon or a controlled company were granted during 2006, as Credit Agricole S.A. decided to set up a single system at parent company-level to cover all group companies.

8.7 Executive officers' compensation

Calyon's principal executive officers include all members of the Executive Committee.

The members of the Executive Committee are as follows: the Chief Executive Officer of Calyon, the deputy CEOs, the CEO of Cheuvreux and the officers responsible for Calyon's main businesses.

Compensation and benefits paid to Executive Committee members in 2006 were as follows:

- Short-term employee benefits: 25 million euros comprising fixed and variable pay including social security charges, as well as benefits in kind,
- Post-employment benefits: 7.7 million euros comprising termination benefits and supplementary pension benefits arranged for the group's principal executives
- Other long-term employee benefits: the amount granted under long-service bonuses is insignificant,
- Termination benefits: insignificant.

Payments in Calyon shares: no allotment of Calyon shares in 2006.

Note 9 Financing and guarantee commitments

CONTINGENT LIABILITIES AND OFF-BALANCE SHEET COMMITMENTS GIVEN AND RECEIVED

In millions of euros	31.12.2006	31.12.2005
COMMITMENTS GIVEN	165,340	145,244
Financing commitments	124,751	105,947
Banks	31,091	19,120
Customers	93,660	86,828
Confirmed credit lines		
- Confirmed documentary credits	7,499	8,945
- Other confirmed credit lines	85,345	77,174
Other	816	708
Guarantee commitments	40,589	39,296
Banks		
Confirmed credit lines	1,971	915
Other	3,072	7,908
Customers	35,546	30,473
Guarantees	23,108	18,250
- Property guarantees	1,801	2,086
- Loan repayment guarantees	7,047	6,804
Other	3,590	3,333
COMMITMENTS RECEIVED	56,281	45,628
Financing commitments	5,771	8,323
Banks	4,959	7,674
Customers	812	649
Guarantee commitments	50,510	37,305
Banks	11,533	6,272
Customers		
Guarantees received from government bodies or similar	7,994	8,804
Other	30,983	22,229

Note 10 Fair value of assets and liabilities measured at cost

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair values shown below are estimates made on the reporting date. They are likely to change in subsequent periods due to developments in market conditions or other factors.

Calculations represent best estimates. These estimates are based on a certain number of assumptions. To the extent that these models contain uncertainties, the fair values shown may not be achieved upon actual sale or immediate settlement of the financial instruments concerned.

In practice, and in line with the going-concern principle, not all these financial instruments would necessarily be settled immediately at the values estimated below.

FAIR VALUE OF ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

In millions of euros	31.12.2006		31.12.2005	
	Carrying value	Estimated market value	Carrying value	Estimated market value
Assets				
Due from banks	59,519	59,519	47,085	47,085
Loans and advances to customers	101,942	101,892	87,920	87,897
Held-to-maturity financial assets				
Investment properties	16	16	200	232
Liabilities				
Due to banks	78,810	78,810	72,912	72,912
Customer accounts	84,035	84,035	71,665	71,665
Debt securities in issue	62,830	62,830	47,311	47,293
Subordinated debt	6,277	6,277	4,342	4,342

In some cases, market values are close to book values. This is particularly the case for:

- floating-rate assets or liabilities where changes in interest rates have no significant influence on fair value as the rates on these instruments are frequently adjusted to market rates;
- short-term assets or liabilities where the redemption value is considered to be close to the market value;
- sight liabilities;
- transactions for which there are no reliable observable data.

Note 11 Subsequent events

The main post-balance-sheet event concerns the plan to combine brokerage subsidiary Calyon Financial with Fimat (Société Générale group), as well as the joint venture between Citic East China and Calyon Financial as reported by the 9 January 2007 and the 26 March 2007 press releases (reproduced below).

Press release dated 9 January 2007

Calyon and Société Générale plan to merge their brokerage activities currently carried out by Calyon Financial and Fimat

Calyon and Société Générale have entered into exclusive negotiations regarding a possible merger of their brokerage activities, currently carried out by Calyon Financial and Fimat respectively.

The newly formed entity would be a world leader in execution and clearing of listed financial futures and options (number 3 in the US in particular)¹. This combined group would provide access to more than 70 derivatives exchanges to an international base of institutional clients.

It would also be a major player in interdealer brokerage of listed or OTC derivatives and cash products such as prime brokerage services.

The combination of both parties' customer base, as well as their respective products and services, would ensure the new group's competitiveness in the coming years as well as creating a strong potential for cross-selling.

The considered merger would be jointly controlled by Société Générale and Calyon, with headquarters located in Paris.

The two groups will commence mutual due-diligence processes, with the aim of signing a definitive agreement. Prospects for the newly created group would be presented at the time of signing of the definitive agreement. The project will be subject to a consultation of employee representatives.

¹ Ranking based on customer segregated funds on US markets and customer amounts required on foreign markets as of 31/10/2006 (source: *Commodity Futures Trading Commission*)

Press release dated 26 March 2007

Citic East China and Calyon Financial Announce Joint Venture Agreement to Form Chinese Futures Brokerage

Citic East China (Group) Corp., Ltd and Calyon Financial Hong Kong Ltd. today announced the signing of a joint venture agreement, forming a new futures brokerage entity established under the Closer Economic Partnership Arrangement (referred as CEPA).

If all approvals are obtained as per schedule, the joint venture may become the first futures brokerage in Shanghai and second futures brokerage in China that is jointly owned by a Chinese firm and a Hong Kong brokerage firm. Citic East China will be the majority shareholder.

Citic Futures is part of China's top State-Owned Enterprise, namely Citic Group. Citic Futures currently has memberships on the Shanghai Futures Exchange, Dalian Commodity Exchange and Zhengzhou Commodity Exchange.

Calyon Financial Hong Kong is a part of Calyon Financial Group, which is wholly owned by Calyon Credit Agricole CIB and part of the Credit Agricole Group in France. Calyon Financial is a leading global futures brokerage firm and has access to more than 70 global financial and commodity exchanges.

After signing the agreement, the joint venture will seek regulatory approval from the China Securities Regulatory Commission (CSRC) and relevant required regulatory bodies. The overall approval process is anticipated to conclude within three to six months.

Note 12 Scope of consolidation at 31 December 2006

Calyon scope of consolidation	(a)	Country	Method	% of control		% of interest	
				31.12.2006	31.12.2005	31.12.2006	31.12.2005
Parent company							
CALYON		France	Parent	100.00	100.00	100.00	100.00
Banks and financial institutions							
Banque Saudi Fransi - BSF		Saudi Arabia	equity	31.11	31.11	31.11	31.11
Calyon Australia Ltd		Australia	full	100.00	100.00	100.00	100.00
Credit Agricole (Egypt) S.A.E.	M	Egypt	full		75.00		75.00
CAI Merchant Bank Asia LTD		Singapore	full	100.00	100.00	100.00	100.00
Cogenec		Monaco	full	99.99	99.99	99.99	99.99
Crédit Agricole Financement		Switzerland	equity	20.00	20.00	20.00	20.00
Crédit Agricole Luxembourg		Luxembourg	full	100.00	100.00	100.00	100.00
Credit Agricole Suisse		Switzerland	full	100.00	100.00	100.00	100.00
Credit Agricole Suisse (Bahamas)		Bahamas	full	100.00	100.00	100.00	100.00
Calyon Turk Bank A.S.		Turkey	full	100.00	99.96	100.00	99.96
Crédit Foncier de Monaco		Monaco	full	70.12	77.11	68.94	75.93
Finanziaria Indosuez International Ltd		Switzerland	full	100.00	100.00	100.00	100.00
Calyon Uruguay S.A.		Uruguay	full	100.00	100.00	100.00	100.00
Calyon Bank Slovakia AS		Slovakia	full	100.00	100.00	100.00	100.00
Calyon Rusbank SA		Russia	full	100.00	100.00	100.00	100.00
Calyon Bank Ukraine		Ukraine	full	100.00	100.00	100.00	100.00
Calyon Bank Czech Republic	M	Czech Republic	full		100.00		100.00
Calyon Bank Hungary Ltd		Hungary	full	100.00	100.00	100.00	100.00
Calyon Bank Polska SA		Poland	full	100.00	100.00	100.00	100.00
Banco Calyon Brasil		Brazil	full	100.00	100.00	100.00	100.00
UBAF (Union de Banques Arabes et Françaises)		France	proportional	47.32	43.93	47.32	43.93
Stockbrokers							
Altura		Spain	proportional	50.00	50.00	35.00	36.41
Calyon Financial Inc		USA	full	100.00	100.00	100.00	100.00
Calyon Financial Pte Singapore		Singapore	full	100.00	100.00	100.00	100.00
Calyon Financial SNC		France	full	100.00	100.00	100.00	100.00
Crédit Agricole Cheuvreux Nordic AB SB		Sweden	full	100.00	100.00	100.00	100.00
Crédit Agricole Cheuvreux S.A.		France	full	100.00	100.00	100.00	100.00
Crédit Agricole Cheuvreux Italia SIM SPA		Italy	full	100.00	100.00	100.00	100.00
Credit Agricole Cheuvreux North America, Inc		USA	full	100.00	100.00	100.00	100.00
Cholet Dupont (group)		France	equity	33.40	33.40	33.40	33.40
Crédit Agricole Cheuvreux Espana S.A.		Spain	full	100.00	100.00	100.00	100.00
Crédit Agricole Cheuvreux International Ltd		United Kingdom	full	100.00	100.00	100.00	100.00
Crédit Agricole Cheuvreux Securities Ltd		Hong Kong	full	100.00	100.00	100.00	100.00
CAI Derivatives Products PLC		Ireland	full	99.98	99.98	99.98	99.98
Calyon Financial Canada	In	Canada	full	100.00		100.00	
Calyon Securities USA Inc.		USA	full	100.00	100.00	100.00	100.00
CLSA BV (group)		Hong Kong	full	100.00	100.00	77.74	73.19
Calyon financial Hong Kong	In	Hong Kong	full	100.00		100.00	

Calyon scope of consolidation	(a)	Country	Method	% of control		% of interest	
				31.12.2006	31.12.2005	31.12.2006	31.12.2005
Investment companies							
BFC Holding	ns	France	full		99.55		99.34
Cie Française de l'Asie (CFA)		France	full	100.00	100.00	100.00	100.00
Doumer Finance SAS		France	full	100.00	100.00	100.00	100.00
Fletirec (group)		France	full	100.00	100.00	100.00	100.00
Fininvest		France	full	98.27	98.27	98.27	98.27
ICF Cayman Holdings		United Kingdom	full	100.00	100.00	100.00	100.00
Calyon Air Finance SA		France	full	100.00	100.00	100.00	100.00
Indosuez Holding UK Ltd	ns	United Kingdom	full		100.00		100.00
CAI BP Holding		France	full	100.00	100.00	100.00	100.00
Calyon North America Holding		USA	full	100.00	100.00	100.00	100.00
IPFO		France	full	100.00	100.00	100.00	100.00
Mescas		France	full	100.00	100.00	100.00	100.00
SAFEC		Switzerland	full	100.00	100.00	100.00	100.00
Crédit Agricole Assets Management Espana Holding		Spain	equity	45.00	45.00	45.00	45.00
Casam Systeïa Global Macro		Ireland	full	99.60	100.00	99.60	100.00
Casam Systeïa Pair Trading		Ireland	full	99.57	100.00	99.57	100.00
Casam Systeïa Event Driven		Ireland	full	99.63	100.00	99.63	100.00
Casam Equity Quant		Ireland	full	96.90	100.00	96.90	100.00
Casam Futures Euro		Ireland	full	97.22	100.00	97.22	100.00
Casam Systeïa Equity Linked Fund	L	Ireland	full		100.00		100.00
Multinational Asset Co. Limited	L	Cayman	full		43.93		43.93
European Sovereign Funding SA		France	full	100.00	100.00	100.00	0.00
FCC Masterace		France	full	100.00	100.00	100.00	0.00
Calyon Investments		United Kingdom	full	100.00	100.00	100.00	100.00
Crédit Lyonnais Rouse limited	ns	United Kingdom	full		100.00		100.00
LF Investiments LP		USA	full	100.00	100.00	100.00	100.00
CLASI		USA	full	100.00	100.00	100.00	100.00
Calyon Leasing Corporation		USA	full	100.00	100.00	100.00	100.00
Calyon Global Partners Inc.		USA	full	100.00	100.00	100.00	100.00
Credit Lyonnais Leasing Japan Company Ltd		Japan	full	100.00	100.00	100.00	100.00
Calyon North America Inc.		USA	full	100.00	100.00	100.00	100.00
Calyon Holdings		United Kingdom	full	100.00	100.00	100.00	100.00
Calyon Capital Market Asia BV		Netherlands	full	100.00	100.00	100.00	100.00
Calyon Capital Market International		France	full	100.00	100.00	100.00	100.00
Calyon Securities Japan		Japan	full	100.00	100.00	100.00	100.00
Doumer Philemon		France	full	100.00	100.00	100.00	100.00
Korea 21 st Century Trust		South Korea	full	100.00	100.00	100.00	100.00
CASAM		France	equity	50.00	50.00	50.00	50.00
Casam Americas LLC	In	USA	equity	50.00		50.00	
Lyra Capital LLC	In	USA	equity	50.00		50.00	
Casam Advisers LLC	In	USA	equity	50.00		50.00	
Alternative Investment and Research Technologies	In	USA	equity	50.00		50.00	
Lyra Partners LLC	In	USA	equity	50.00		50.00	
Casam Cayman Ltd	In	USA	equity	50.00		50.00	
Casam US Holding Inc	In	USA	equity	50.00		50.00	

Calyon scope of consolidation	(a)	Country	Method	% of control		% of interest	
				31.12.2006	31.12.2005	31.12.2006	31.12.2005
Leasing companies							
Ergifrance		France	full	100.00	100.00	100.00	100.00
Financière Immobilière Calyon		France	full	100.00	100.00	100.00	100.00
Cardinalimmo		France	full	49.61	49.61	49.61	49.61
Other							
CA Brasil DTVM		Brazil	full	100.00	100.00	100.00	100.00
CA Conseil SA		Luxembourg	full	99.99	99.99	99.99	99.99
Calyon Preferred Funding LLC		USA	full	100.00	100.00	100.00	100.00
Calyon Preferred Funding II LLC		USA	full	100.00	100.00	100.00	100.00
Fonds ICF II a	L	Cayman	full		100.00		100.00
Fonds ICF III	L	Cayman	full		100.00		100.00
Fonds Mezzasia		Hong Kong	full	100.00	100.00	88.87	86.60
Fonds Alcor		Hong Kong	full	81.20	98.30	76.82	89.51
Merisma		France	full	100.00	100.00	100.00	100.00
Calixis Finance		France	full	89.80	89.80	89.80	89.80
LSF Italian Finance Company SRL		Italy	full	60.00	60.00	60.00	60.00
Minerva S.R.L.	In	Italy	full	90.00		90.00	
Sagrantino	In	Netherlands	full	100.00		67.00	
European NPL S.A.	In	Luxembourg	full	67.00		67.00	
DGAD International Finance	In	Luxembourg	full	100.00		100.00	
Indosuez Holding SCA II		Luxembourg	full	100.00	100.00	100.00	100.00
Indosuez Management Luxembourg II		Luxembourg	full	100.00	100.00	100.00	100.00
Indosuez International Finance		Netherlands	full	100.00	100.00	100.00	100.00
SNC Doumer		France	full	99.94	99.94	99.94	99.94
Chauray Contrôle SAS		France	proportional	34.00	34.00	34.00	34.00
CPR BK	ns	France	full		100.00		100.00
CPR Online		France	full	100.00	100.00	100.00	100.00
SNC Haussmann Anjou		France	full	100.00	100.00	100.00	100.00
Indosuez Levante S.A.	In	Spain	full	100.00		100.00	
Indosuez Norte SL	In	Spain	full	95.00		95.00	
Crédit Lyonnais Property Broadwalk	ns	United Kingdom	full		100.00		100.00
Calyon Finance Guernesey		United Kingdom	full	99.90	99.90	99.90	99.90
Calyon Financial Products		United Kingdom	full	99.90	99.90	99.90	99.90
Calyon Capital Market Group Mngt Ltd	ns	United Kingdom	full		100.00		100.00
Ester Finance		France	full	99.99	99.99	99.99	99.99
Capital Plus		France	full	100.00	100.00	100.00	100.00
CLIM	M	France	full		100.00		100.00
CLINFIM		France	full	100.00	100.00	100.00	100.00
Calyon Global Banking		France	full	100.00	100.00	100.00	100.00
CLIFAP		France	full	100.00	100.00	100.00	100.00
Carr Indosuez Asia SA		France	full	100.00	100.00	100.00	100.00
Calyon Asia Shipfinance Services Ltd		Hong Kong	full	99.99	99.99	99.99	99.99
Calyon Investment Products Limited		Cayman	full	100.00	100.00	100.00	100.00
Aylesbury	In	Netherlands	full	100.00		100.00	
Bletchley Investments Limited	In	Netherlands	full	82.22		82.22	

(a) : Included (In) the scope of consolidation.

Excluded from (Out) the scope of consolidation because the entity is non-significant (ns) or has been merged (M), liquidated (L), spun off (SO), sold or transferred out (S). Change (C) of consolidation method.

Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France

For the year ended 31 December 2006

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Calyon for the year ending 31 December 2006.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We have conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the companies and entities included in the consolidated group in accordance with the IFRS standards as adopted in the European Union.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the Code de Commerce (French company law) relating to the justification of our assessments, we bring to your attention the following matters:

- As indicated in note 2 to the financial statements, the group establishes impairment to cover the risk on non-recoverable loans inherent to its business activities. We have reviewed the arrangements put in place by the management to identify and evaluate these risks and to determine the amount of impairment it considers necessary, and we have verified that these accounting estimates were based on documented methods that conform to the principles described in notes 1.1 and 2 to the consolidated financial statements.
- The Group uses internal models to assess the fair value of financial instruments that are not traded on organised markets. We have reviewed the procedures used by management to determine and control these models and the parameters used and whether they reflect the risks associated with such instruments, we have verified that these accounting estimates were based on documented methods that conform to the principles described in notes 1.1 and 2 to the consolidated financial statements. We also reviewed and tested the procedures implemented by executive management:
 - (i) to identify margins on financial instruments calculated on the basis of non-observable market parameters or determined on the basis of valuation models that are not widely used;
 - (ii) to recognise these margins accordingly in the income statement.
- As a customary part of the process of preparing financial statements, the Group's management has made a number of other accounting estimates as explained in note 2 to the financial statements notably

on the costs of pension provision and future employee benefits, permanent decline in value of non-consolidated participating interests, provisions for operating risks, provisions for legal risks, impairment of goodwill and deferred taxes.

We have reviewed the methods and assumptions used as described in notes 1.1 and 2 to the financial statements, assessed the resulting valuations and checked that the notes give appropriate information.

We assessed whether these estimates were reasonable.

Our assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore assisted us in reaching our unqualified opinion as expressed in the first part of this report.

III. Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group management report. We have no comments to report with respect to the fairness of their presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine, 5 April 2007

The Statutory Auditors

PriceWaterhouseCoopers Audit

Ernst & Young et Autres

Gérard Hautefeuille

Valérie Meeus

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